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<b>Reference</b>	IOR/R/15/2/878
<b>Title</b>	'File 39/7 (10/9) Kuwait Oil Concession'
<b>Date(s)</b>	21 Mar 1936-16 May 1947 (CE, Gregorian)
<b>Written in</b>	English in Latin
<b>Extent and Format</b>	1 file (42 folios)
<b>Holding Institution</b>	British Library: India Office Records and Private Papers
<b>Copyright for document</b>	<u>Unknown</u>

#### About this record

The file contains correspondence between Kuwait Oil Company, the Political Resident in the Persian Gulf, the Political Agent at Bahrain and the Political Agent at Kuwait. The correspondence discusses the discovery of oil in Kuwait; because of the scarcity of oil found in the well at Bahra it was decided to drill another well around the *w ara* (sandstone) hill (now part of Burqan Field), where oil was found in commercial quantities in 1938. Copy of the 1934 Agreements between the British Government, the Sheikh of Kuwait and with Kuwait Oil Company is included in the file (ff 3-10). The discovery of oil in Kuwait increased interest from Saudi Arabia over the Neutral Zone, which is subject of correspondence from Petroleum Concessions Limited.



File No. 10/9 1935. 39/7. Collection No. ①

IOR:R/15/2/878

PROS. POLITICAL AGENT  
BAHRAIN

Pros. Nos.  
Serial

CLOSED

39/7

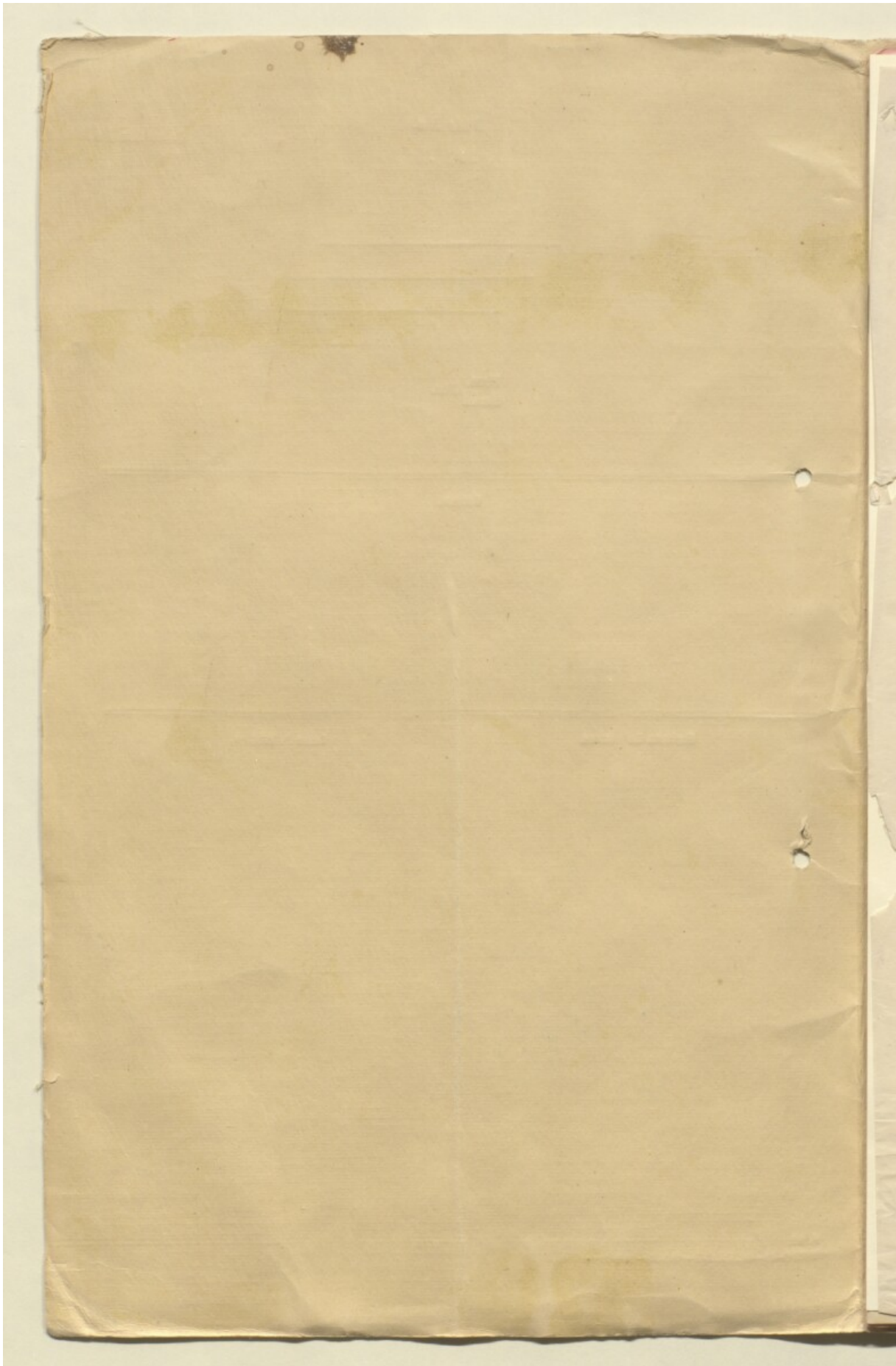
KUWAIT OIL CONCESSION.

Previous References.

Later References.

39/7

S. 97.  
MGIPC-SI-40(CPS)MFP-(M-2415)-29-6-23-80,000.







CONFIDENTIAL.

No. 304-S of 1935.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

The Political Agent,  
Bahrain.

and has the honour to transmit to him a copy of the undermentioned document (s). for information.



British Consulate-General,  
BUSHIRE.

Dated 23rd April 1935.

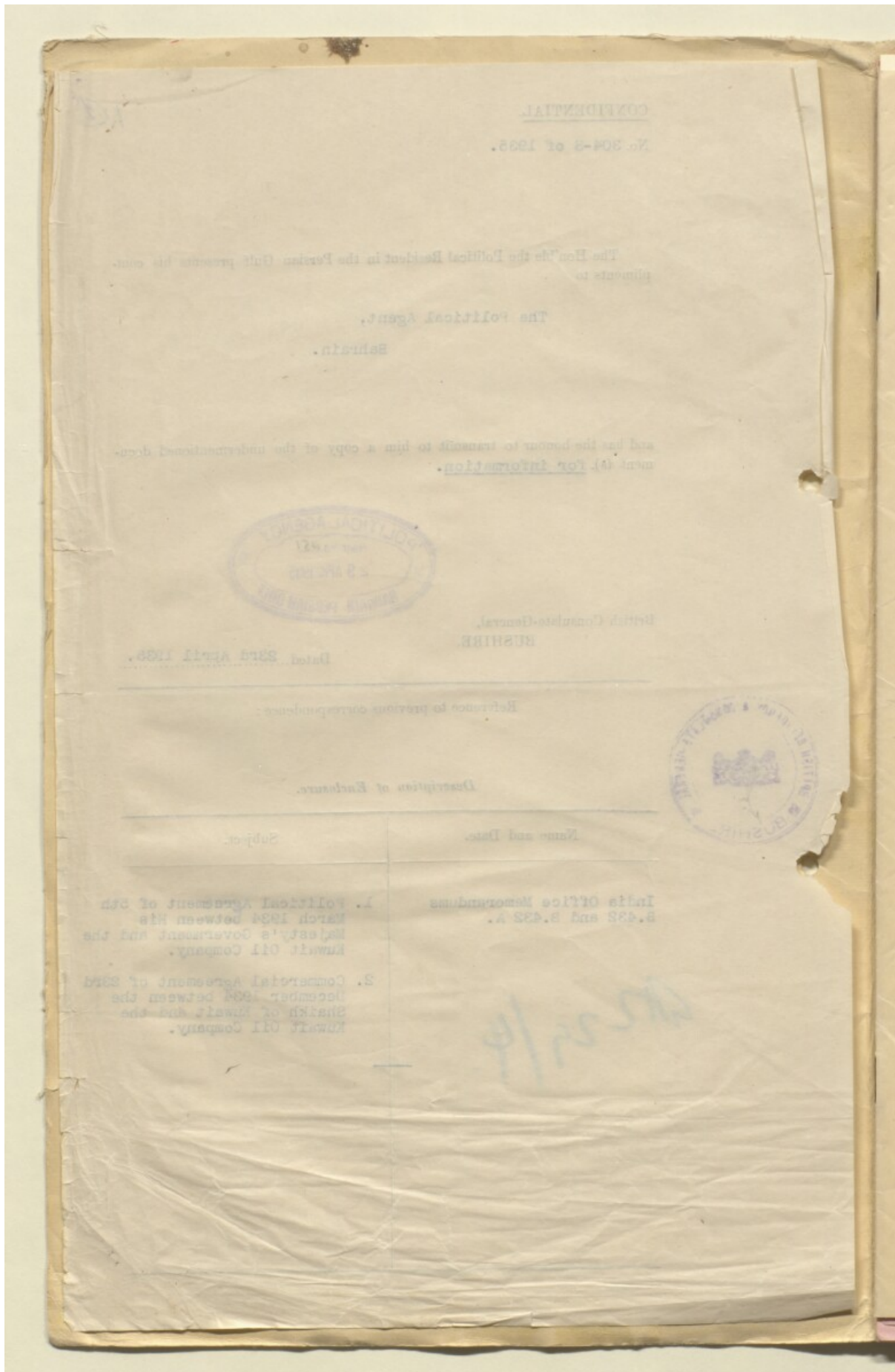
Reference to previous correspondence :

*Description of Enclosure.*

Name and Date.	Subject.
India Office Memorandums B.432 and B.432 A.	1. Political Agreement of 5th March 1934 between His Majesty's Government and the Kuwait Oil Company. 2. Commercial Agreement of 23rd December 1934 between the Shaikh of Kuwait and the Kuwait Oil Company.

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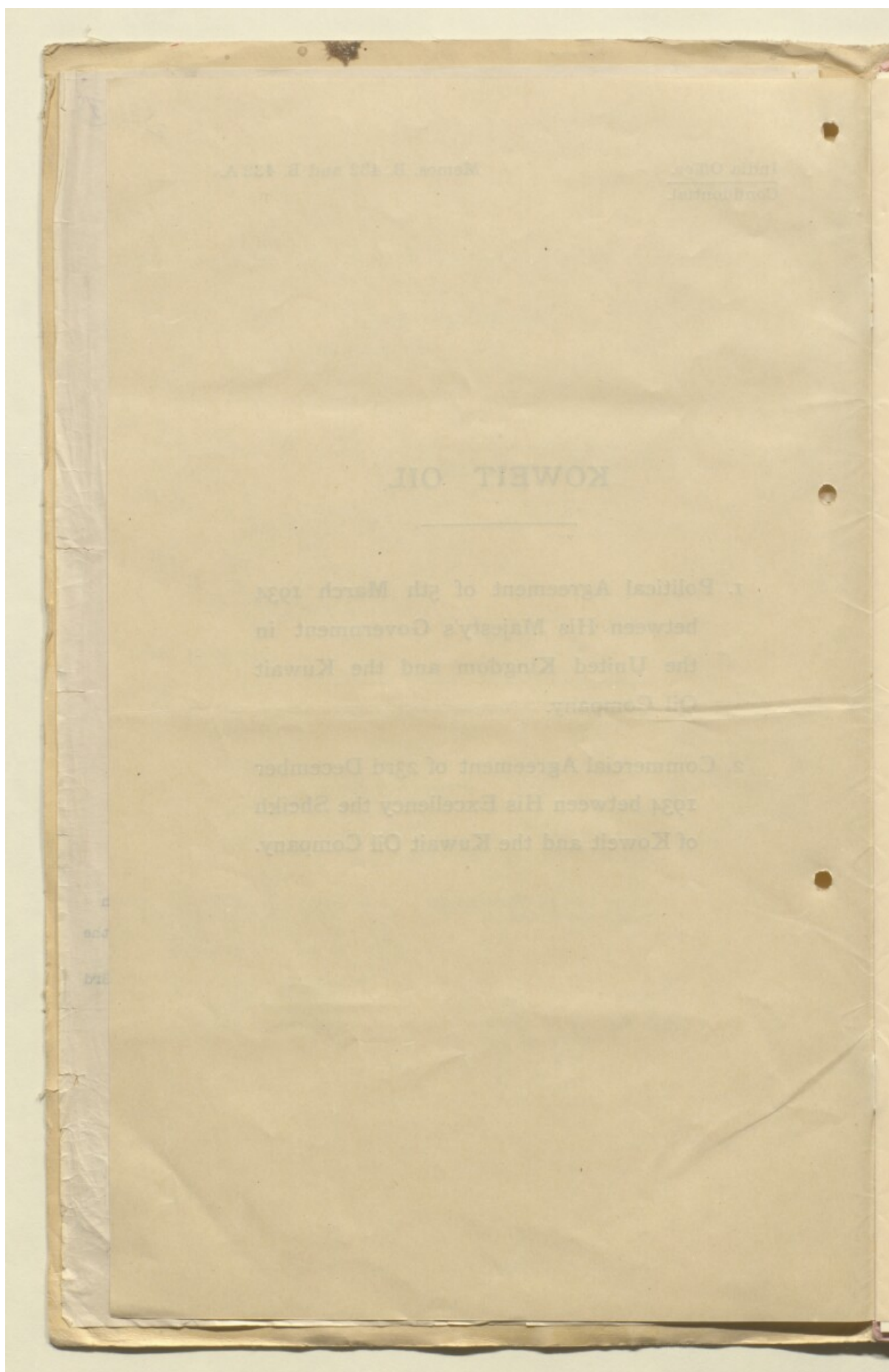
India Office.  
Confidential.

2 (3)  
Memos. B. 432 and B. 432 A.

## KOWEIT OIL

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1. Political Agreement of 5th March 1934  
between His Majesty's Government in  
the United Kingdom and the Kuwait  
Oil Company.
2. Commercial Agreement of 23rd December  
1934 between His Excellency the Sheikh  
of Koweit and the Kuwait Oil Company.







India Office.  
Confidential.

Memo. B. 432

I.—Political Agreement between His Majesty's Government in the United Kingdom and the Kuwait Oil Company, dated 5th March 1934.\*

THIS AGREEMENT dated the Fifth day of March One thousand nine hundred and thirty-four is made BETWEEN HIS MAJESTY'S GOVERNMENT IN THE UNITED KINGDOM (hereinafter called "His Majesty's Government") of the one part and the KUWAIT OIL COMPANY LIMITED (hereinafter called "the Company" which expression shall where the context so admits be deemed to include its successors and/or assignees) of the other part.

WHEREAS in the event of the Kuwait Oil Company obtaining a concession from the Sheikh of Koweit (hereinafter called "the Sheikh") certain responsibilities will devolve on His Majesty's Government, the Company has agreed with His Majesty's Government as follows :—

1. The Kuwait Oil Company, any transferee Company and any subsidiary Company that may be created shall be and remain a British Company registered in the British Empire.

2. Notwithstanding anything contained in the Agreement between the Company and the Sheikh the obligations and benefits of that Agreement shall not be transferred to any other Company without the prior consent in writing of His Majesty's Government, and shall not be transferred to any Company in which more than 50 per cent. of the capital and voting power is directly or indirectly controlled by persons other than British subjects.

3. The employees of the Company in Koweit shall at all times so far as is consistent with the efficient carrying on of the undertaking be British subjects or subjects of the Sheikh. With the consent of His Majesty's Government, which consent shall not be unreasonably withheld, persons of other nationalities may be employed if in the opinion of the Company they are required for the efficient carrying on of the undertaking.

Notwithstanding anything contained in the Agreement between the Company and the Sheikh, the importation of foreign native labour shall be subject to the approval of the Political Resident in the Persian Gulf.

4. One of the superior local employees of the Company shall be designated chief local representative of the Company in Koweit. The approval of His Majesty's Government shall be required for the person so designated. He will be ordinarily resident at Koweit and will be responsible for the Company's local relations with the Koweit authorities. These local relations shall always be conducted through the Political Agent at Koweit, except as regards routine commercial business, which may be transacted through the official representative (if any) whom the Sheikh may appoint under the Agreement between the Company and the Sheikh.

5. Subject to the terms of the concession the Company undertakes at all times to pay due deference to the wishes of the Sheikh and to the advice of the Political Agent and the Political Resident in the Persian Gulf.

6. The right given to the Company by its Agreement with the Sheikh to utilise means of transportation by air shall be subject to any general regulations for civil aircraft made by the Sheikh on the advice of His Majesty's Government.

7. In the application of the right given to the Sheikh by his Agreement with the Company to make full use free of charge of the Company's wireless and telegraph installations and railways for governmental purposes in times of national emergency, the Sheikh acting on the advice of His Majesty's Government shall be the sole judge whether a "national emergency" has arisen.

8. Notwithstanding anything contained in the Agreement between the Company and the Sheikh the Company shall not have the right to use or occupy, and shall not

P.Z. 1047.34 (27.2.34).

\* This Agreement is strictly confidential and is not for publication.

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include in the areas selected for the purposes of its operations, any sites which may have been selected by or on behalf of the Sheikh or His Majesty's Government for defence purposes, for aerodromes, aeroplane or seaplane bases or for wireless and telegraph installations or in connection with the development of harbours, provided that with the consent of His Majesty's Government which shall not be unreasonably withheld the Company shall have the right to use for the purposes of its operations such harbours as may be developed by the Sheikh or His Majesty's Government if there is not reasonable harbour accommodation available elsewhere. Harbours developed by the Company shall be under its complete and exclusive control.

9. Telegraph, wireless and telephone installations, if any, maintained by the Company shall be for use only in its business and as provided in the concession, and shall be so constructed and operated that their operations shall not interfere with the operations of such wireless, telegraph or telephone installations as may be established by the Sheikh or His Majesty's Government.

10. The Company declare that it is their intention, should they consider that commercial conditions justify it, to erect a refinery at Koweit. If and when the Company is satisfied that commercial production is assured, the Company agrees to examine with His Majesty's Government the question of establishing a refinery in Koweit of suitable type and capacity.

11. In the event of a state of national emergency or war (of the existence of either of which His Majesty's Government shall be the sole judge) His Majesty's Government shall have the right of pre-emption of all the oil produced in Koweit in accordance with the terms of the schedule hereto.

12. In the event of notice of termination of the Agreement between the Company and the Sheikh being given under the terms of that Agreement on the ground that the Company has failed to observe any of the terms of this Agreement between the Company and His Majesty's Government, the arbitration provisions of the said Agreement between the Company and the Sheikh shall apply if the Company considers that notice of termination on such grounds under that Agreement is not justified.

IN WITNESS whereof SIR LOUIS JAMES KERSHAW, K.C.S.J., C.I.E., on behalf of His Majesty's Government has hereunto set his hand and seal and the Company has hereunto caused its Common Seal to be affixed the day and year first above written.

THE SCHEDULE above referred to

Pre-emption Clause.

In the event of a state of national emergency or war (of the existence of which His Majesty's Government shall be the sole judge)—

- (1) His Majesty's Government shall have the right of pre-emption of all crude oil gotten under the Concession granted by the Sheikh to the Company and of all the products thereof and shall have the right to require the Company to the extent of any refining capacity it may have in Koweit to produce oil fuel that shall comply with the Admiralty specifications at the time provided that Koweit oil be of a suitable kind and quality for this purpose.
- (2) The Company shall use its utmost endeavours to increase so far as reasonably possible with existing facilities the supply of oil and/or products thereof for the Government to the extent required by the Government.
- (3) The Company shall with every reasonable expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do its utmost to deliver all oil or products of oil purchased by the Government under their said right of pre-emption in the quantities at the time and in the manner required by the Government at a convenient place of shipment or at a place of storage in Koweit to be determined by His Majesty's Government. In the event of a vessel employed to carry any such oil or products thereof on behalf of His Majesty being detained on demurrage at the port of loading the Company shall pay the amount due for demurrage according to the terms of the charter party and/or the rates of loading previously agreed with the Company unless the delay is due to causes beyond the control of the Company. Any dispute which may arise as to



whether the delay is due to causes beyond the control of the Company shall be settled by agreement between His Majesty's Government and the Company, and, in default of such agreement, the question shall be referred to two arbitrators, one to be chosen by His Majesty's Government (or the Political Resident) and the other by the Company, with power to appoint an umpire in case of disagreement, such arbitration to be held in England and to be deemed a reference to arbitration under the provisions of the Arbitration Act of 1889 (52 and 53 Vict. c. 49) of the Imperial Parliament, or any statutory modification or re-enactment thereof for the time being in force.

- (4) The price to be paid for all oil or products of the refining or treatment of oil taken in pre-emption by His Majesty's Government shall be either (a) as specified in a separate agreement or (b) if no such agreement shall have been entered into, a fair price for the time being at the point of delivery as the same shall be settled by agreement between His Majesty's Government and the Company, or in default of such agreement by arbitration in the manner provided by the last preceding subclause.

To assist in arriving at a fair price at the point of delivery the Company shall furnish for the confidential information of His Majesty's Government, if so required, particulars of the quantities, descriptions and prices of Kuwait oil or products sold to other customers and of charters or contracts entered into for carriage and shall exhibit to His Majesty's Government original or authenticated copies of contracts or charter parties entered into for the sale and/or carriage of such oil or products.

- (5) His Majesty's Government shall be at liberty to take control of the works, plant and premises of the Company in Kuwait, and in such event the Company shall conform to and obey all directions issued by or on behalf of His Majesty's Government. Compensation shall be paid to the Company for any loss or damage that may be proved to have been sustained by the Company by reason of the exercise by His Majesty's Government of the powers conferred by this subclause. Any such compensation shall be settled by agreement between His Majesty's Government and the Company or, in default of agreement, by arbitration in the manner provided by subclause 3.

Signed sealed and delivered by the said Sir }  
Louis James Kershaw on behalf of His }  
Majesty's Government in the presence of— }

L. J. KERSHAW. (L.S.)

JOHN CHARLES WALTON,  
India Office,  
Civil Servant.

The Common Seal of the Kuwait Oil }  
Company Limited was hereunto affixed }  
in the presence of— }

(SEAL)

A. C. HEARN.

GUY STEVENS.

H. T. KEMP.





*Dated 5th March 1934.*

HIS MAJESTY'S GOVERNMENT IN  
THE UNITED KINGDOM

to

KUWAIT OIL COMPANY, LIMITED.

**AGREEMENT**

relating to the Koweit Oil  
Concession.



India Office.  
Confidential.

Memo. No. 432 A

**II.—Commercial Agreement between the Sheikh of Koweit and  
the Kuwait Oil Company, dated 23rd December 1934.**

IN THE NAME OF GOD THE MERCIFUL.

THIS IS AN AGREEMENT  
made at Kuwait on the 23rd day of  
December in the year 1934 corre-  
sponding to 16th day of Ramadham  
1353 between His Excellency Shaikh  
Sir Ahmed al-Jabir as-Subah, Knight

(Signed)

(Signature of Shaikh of Kuwait.)

(Signed)

H. R. P. DICKSON, Lt.-Col.

Commander of the Most Eminent Order of the Indian Empire and Companion  
of the Most Exalted Order of the Star of India, the SHAIKH OF KUWAIT in the  
exercise of his powers as Ruler of Kuwait on his own behalf and in the name  
of and on behalf of his heirs and successors in whom is or shall be vested for  
the time being the responsibility for the control and government of the State  
of Kuwait (hereinafter called "the Shaikh") and the KUWAIT OIL COMPANY  
LIMITED a Company registered in Great Britain under the Companies Act, 1929, its  
successors and assigns (hereinafter called "the Company").

*Article 1.*—The Shaikh hereby grants to the Company the exclusive right to  
explore search drill for produce and win natural gas asphalt ozokerite crude  
petroleum and their products and cognate substances (hereinafter referred to as  
"petroleum") within the State of Kuwait including all islands and territorial  
waters appertaining to Kuwait as shown generally on the map annexed hereto,\* the  
exclusive ownership of all petroleum produced and won by the Company within  
the State of Kuwait the right to refine transport sell for use within the State of  
Kuwait or for export and export or otherwise deal with or dispose of any and all  
such petroleum and the right to do all things necessary for the purposes of those  
operations. The Company undertakes however that it will not carry on any of its  
operations within areas occupied by or devoted to the purposes of mosques sacred  
buildings or graveyards or carry on any of its operations except the sale of  
petroleum housing of staff and employees and administrative work within the  
present town wall of Kuwait.

The period of this Agreement shall be 75 years from the date of signature.

*Article 2.*—(A) Within nine months from the date of signature of this Agreement  
the Company shall commence geological exploration.

(B) The Company shall drill for petroleum to the following total aggregate  
depths and within the following periods of time at such and so many places as the  
Company may decide:—

- (i) 4,000 feet prior to the 4th anniversary of the date of signature of this Agreement.
- (ii) 12,000 feet prior to the 10th anniversary of the date of signature of this Agreement.
- (iii) 30,000 feet prior to the 20th anniversary of the date of signature of this Agreement.

(C) The Company shall conduct its operations in a workmanlike manner and by  
appropriate scientific methods and shall take all reasonable measures to prevent the  
ingress of water to any petroleum-bearing strata and shall duly close any unpro-  
ductive holes drilled by it and subsequently abandoned. The Company shall keep  
the Shaikh and his London Representative informed generally as to the progress  
and result of its drilling operations but such information shall be treated as  
confidential.

\* Not reproduced.

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*Article 3.*—In consideration of the rights granted by the Shaikh to the Company by this Agreement and of the assistance and protection which the Shaikh hereby undertakes to afford by all means in his power to the Company and its operations employees and property the Company shall pay to the Shaikh the following sums:—

- (a) Within thirty (30) days after signature of this Agreement Rupees Four hundred and seventy five thousand (Rs. 475,000).
- (b) On each anniversary of the date of signature until the Company declares that petroleum has been found in commercial quantities: EITHER Royalty of Rupees Three (Rs. 3) for every English ton (2,240 lbs.) of Kuwait petroleum won and saved by the Company in Kuwait during the year ending three months prior to the anniversary of the date of signature OR Rupees Ninety five thousand (Rs. 95,000) whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after the Company has declared that petroleum has been found in commercial quantities: Either Royalty as defined above, or Rupees Two hundred and fifty thousand (Rs. 250,000) whichever shall be the greater sum.
- (d) For the purpose of this Agreement and to define the exact product to which the Royalty stated above refers, it is agreed that the Royalty is payable on each English ton of 2,240 lbs. of nett crude petroleum won and saved by the Company from within the State of Kuwait—that is after deducting water sand and other foreign substances and the oil required for the customary operations of the Company's installations in the Shaikh's territories—.

*Article 4.*—On each anniversary of the date of signature of this Agreement the Company shall deliver to the Shaikh a return of petroleum if any on which royalty is payable for the year ended three (3) months prior to such anniversary and a statement of the amount of royalty if any due to the Shaikh for such year, and a report of its operations under this Agreement during such year. The Shaikh or his Representative shall have the right to check such returns and statements which, as well as any reports, shall be treated as confidential by the Shaikh with the exception of such figures therein as he may be required by law to publish.

*Article 5.*—(A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph, telephone and wireless installations, roads, railways, tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary and for such purposes to use free of all payments to the Shaikh any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the inhabitants of the State of Kuwait are not prevented from taking their usual requirements of these materials and that the water supply of the local inhabitants and nomad population who may be dependent on the same is not endangered. The Company at its discretion but in consultation with the Shaikh may select the position of any such works. The Company may likewise utilise without hindrance all such means of transportation by land, air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

But nothing in this Article (5A) shall confer on the Company the right to dispose of stone, sand, gravel, gypsum, clay or water by sale, export or otherwise to any other company or person within or without the State of Kuwait.

(B) The Company shall under normal conditions accept and transmit free of charge on its wireless and telegraph installations such of the Shaikh's messages as will not interfere with the Company's business, and in times of national emergency the Shaikh shall have the full use free of charge of the Company's wireless and telegraph installation and railways for governmental purposes.

(C) The Shaikh's ships shall have the right to use harbours utilised or constructed by the Company provided that such use in no way hampers the





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Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or appurtenances constructed by the Company shall be for its exclusive use.

The Company may use for the purposes of its operations the harbours along the coast of Kuwait but the Company shall not impede or interfere with the subjects of the Shaikh or their right to continue the use of existing harbours, anchorages, wharves and docks along the coast of Kuwait at present utilised by them for their sailing craft and fishing boats.

*Article 6.*—(A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Shaikh. The Shaikh has the right to select on the first occasion the Chief Local Representative in consultation with His Majesty's Government.

(B) The Shaikh shall have the right to appoint an Arab conversant with the English language to act as his Official Representative and who will represent him in Kuwait in matters relating to this Agreement with the Company and particularly whenever unskilled labour is recruited from among the subjects of the Shaikh this Representative shall be consulted and advise the Company regarding any such recruitment. The salary of the Representative shall not be less than Rupees Eight hundred (Rs. 800) per month, and such salary shall be paid by the Company monthly to the Representative as from the date of his appointment by the Shaikh.

(C) The Shaikh shall have the right to appoint—from the effective date of this Agreement—a Representative in London to represent the Shaikh in all matters relating to this Agreement with the Company in its London Office and such Representative shall have full access to the production records of the Company including the agenda of the Board meetings and shall be entitled to attend the Board's meetings at which the Shaikh's interests are discussed. The salary of such Representative shall not be less than Rupees Two thousand two hundred and fifty (Rs. 2,250) per month which shall be paid to the Representative by the Company and not by the Shaikh. The salary of such Representative shall be paid either in London or Bombay as requested by him. Travelling and general expenses of the Representative shall be defrayed from the above-mentioned sum of Rupees Two thousand two hundred and fifty (Rs. 2,250).

(D) If at any time during the currency of this Agreement any dispute shall arise regarding the accuracy of the accounts of the Company in connection with the amount of the Royalty and/or other payments due to the Shaikh under this Agreement, the Shaikh shall have the right to appoint in consultation with His Majesty's Government a registered firm of Auditors to examine the books of the Company, on behalf of the Shaikh, at Kuwait and/or in London as he may consider necessary. All expenditure incurred in connection with such auditing shall be paid by the Shaikh.

The Company shall provide the registered firm of Auditors appointed by the Shaikh the necessary facilities to enable them to check the books and registers of the Company and to render every assistance to enable the Auditors to thoroughly examine such accounts and in every way to assist them safeguard the interests of the Shaikh.

The Shaikh shall regard as confidential all information supplied in connection with all such auditing with the exception of such items as may have an actual bearing on the dispute or are connected with it.

*Article 7.*—(A) The Company shall have the right to import water, petroleum, fuel, machinery, motor-cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food, supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be





exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether State or local, tolls, and land surface rent of whatever nature; and in consideration thereof the Company shall in addition to the payments provided for in Article 3 pay to the Shaikh on each anniversary of the date of signature of this Agreement four annas (annas 4) per ton (2,240 lbs.) of petroleum on which royalty is payable.

(B) The importation by the Company of firearms and other weapons is prohibited except with the written permission of the Shaikh.

(C) If the Company should sell in Kuwait any material or goods previously imported into Kuwait for the purposes of its operations hereunder and no longer required by the Company, the Company shall pay to the Shaikh in respect of such material or goods sold the equivalent of import duty thereon at the rate in force at the time of sale. The duty shall be computed on the price received on sale.

(D) Necessary customs officials at harbours constructed by the Company or additional customs officials required at any other ports utilised by the Company shall be appointed by the Shaikh in consultation with the Company and their salaries which shall not exceed the usual salaries of such officials shall be paid by the Company which shall also provide at its own expense suitable buildings for the accommodation of customs officials at harbours which it has constructed.

*Article 8.*—(A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right with the approval of the Shaikh which shall not be unreasonably withheld to import labour preference being given to labourers from the neighbouring Arab countries who will obey the local laws. The Company shall also have the right to import skilled and technical employees. Any employee imported by the Company who shall by misconduct cause a breach of peace or public disturbance shall at the request of the Shaikh be dismissed and shall if it is within the power of the Company to do so be sent out of Kuwait. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.

(C) The Company shall provide free of charge medical service for its employees, and the Shaikh and his family shall have the right to such medical service and necessary medical supplies free of charge.

*Article 9.*—The Shaikh grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Shaikh which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Shaikh an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any other works required for the Company's operations; and the Company may with the cognisance of the Shaikh buy or lease for such purposes any lands, houses or buildings with the consent of and on conditions to be arranged with the proprietors thereof but the terms of such purchase or lease shall not be in excess of those ordinarily current in their respective localities.

(A) The Company shall acquire only such land, houses and buildings as are necessary for its operations under this Agreement. The Company shall inform the Shaikh from time to time of the land, houses and buildings which it requires to occupy for its operations; and land, houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh free of charge.



(B) The Shaikh shall retain for himself the right to grant—in consultation with the Company—to another Company or Companies operating petroleum areas within territories adjoining the Kuwait borders the right to lay down pipelines and to permit such Company or Companies to construct and erect within the Kuwait territory and across same, the necessary buildings and machinery required for the transport in transit or passage over Kuwait territory of crude oil to a suitable site within the State of Kuwait considered convenient for the loading of the said crude oil.

Article 10.—The Shaikh shall give to the Company and its employees and property all the protection in his power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint in consultation with the Shaikh and itself pay trustworthy guards who shall at all times be Kuwait subjects unless the Shaikh permits otherwise to assist in protecting the property of the Company and its employees. The Company shall erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11.—(A) Before the expiration of the period specified in Article 1 hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases :—

- (a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or drilling.
- (b) If the Company shall fail within six (6) months after any anniversary of the date of signature of this Agreement to make to the Shaikh any payments agreed to be due under Article 3.
- (c) If the Company shall be in default under the arbitration provisions of Article 18.

In any of the above-mentioned cases the Shaikh shall be entitled to terminate this Agreement and all the property of the Company within the State of Kuwait shall become the property of the Shaikh.

(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Shaikh the minimum annual payment provided in Article 3 (c) or surrender all rights under this Agreement.

Article 12.—(A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2 (B) (i) or after the expiry of two years from the date of signature of this Agreement—whichever shall be the later date—to give the Shaikh one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Shaikh up to the date of termination.

(B) Should this Agreement be terminated by the Company under this Article 12, then :—

- (a) If such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair, but
- (b) If such termination occurs after 35 years from the date of signature of this Agreement all the movable and immovable property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair.

Article 13.—On the expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the movable and immovable property of the Company in the State of Kuwait shall be





handed over to the Shaikh free of cost. Producing wells or borings at the time of such expiry shall be handed over in reasonably good order and repair.

*Article 14.*—The Shaikh hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any Company registered within the British Empire.

*Article 15.*—(A) Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions or permits for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

If the Shaikh should at any date subsequent to the date of signature of this Agreement grant to any other parties concessions or permits for substances other than petroleum, the Shaikh undertakes that such concessions shall contain provisions requiring the holders thereof to abstain from damaging impeding or interfering with the property operations and interests of the Company.

Deposits of mineral substances other than petroleum such as gold, silver, copper, lead, potash, sulphur and salt or the like which may be discovered by the Company shall be reported to the Shaikh and shall not be worked by the Company except under a special concession or permit from the Shaikh.

(B) The Company shall use the Shaikh's flag within the State of Kuwait.

*Article 16.*—Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Shaikh any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from *force majeure*, and if through *force majeure* the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.

*Force majeure* as used in this Agreement includes the act of God, war, insurrection, riot, civil commotion, tide, storm, tidal wave, flood, lightning, explosion, fire, earthquake, and any other happening which the Company could not reasonably prevent or control.

*Article 17.*—The Shaikh shall not by general or special legislation or by administrative measures or by any other act whatever annul this Agreement except as provided in Article 11. No alteration shall be made in the terms of this Agreement by either the Shaikh or the Company except in the event of the Shaikh and the Company jointly agreeing that it is desirable in the interest of both parties to make certain alterations, deletions or additions to this Agreement.

*Article 18.*—(A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, or after consultation with the British Political Agent in Kuwait or the British Political Resident in the Persian Gulf, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days after the delivery of a request so to do by the other party failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.



(E) The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

*Article 19.*—The Company shall make all payments that become due to the Shaikh under this Agreement into the Shaikh's account at the Ottoman Bank in Basrah and the Bank's receipt shall be a full discharge for the Company in respect to the payment of the sum stated in the Bank's receipt. The Shaikh may from time to time designate in writing another Bank or Banks for the purpose of this Article.

*Article 20.*—For the purpose of royalty payments the Company shall measure by a method customarily used in good technical practice all petroleum on which royalty is payable and the Shaikh by his representative duly authorised by him shall have the right to observe such measuring and to examine and test whatever appliances may be used for such measuring. Such representative shall comply with all necessary and usual safeguards for the prevention of fire or other accident; and shall make all examinations and tests at such times and in such manner as will cause the minimum of interference with the Company's operations. If upon such examination or testing any such appliance shall be found to be out of order the Company will cause the same to be put in order at its own expense within a reasonable time, and if upon any such examination as aforesaid any error shall be discovered in any such appliance, such error shall if the Shaikh so decide after hearing the Company's explanation be considered to have existed for three (3) calendar months previous to the discovery thereof or from the last occasion of examining the same in case such occasion shall be within such period of three (3) calendar months and the royalty shall be adjusted accordingly. If the Company should find it necessary to alter repair or replace any measuring appliance it shall give reasonable notice to the Shaikh or his representative to enable a representative of the Shaikh to be present during such alteration, repair or replacement.

The Company shall keep full and correct records of all measurements as aforesaid and the said representative of the Shaikh shall have access at all reasonable times to such records and shall be at liberty to make extracts from them. Such records shall be treated as confidential by the Shaikh and his representatives with the exception of such figures therein as the Shaikh may be required by law to publish.

*Article 21.*—This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

IN WITNESS whereof the parties to this Agreement have set their hands the day and year first above written.

On behalf of the Kuwait Oil Company Limited.

(Signed) FRANK HOLMES.  
A. CHISHOLM.

In the presence of—

H. R. P. DICKSON, Lt.-Col.,  
23rd December 1934.

SHAIKH OF KUWAIT.

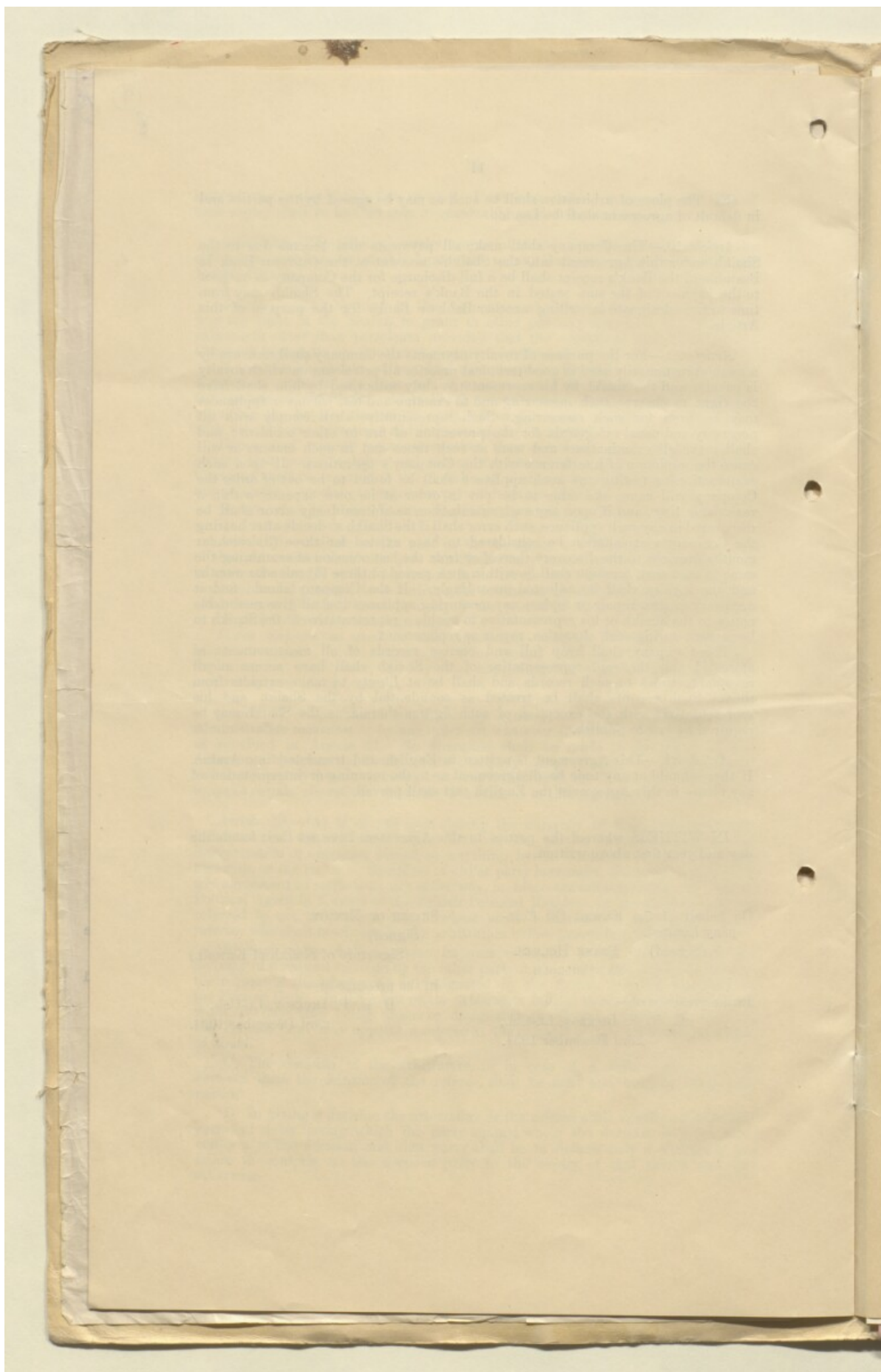
(Signed)

(Signature of Shaikh of Kuwait.)

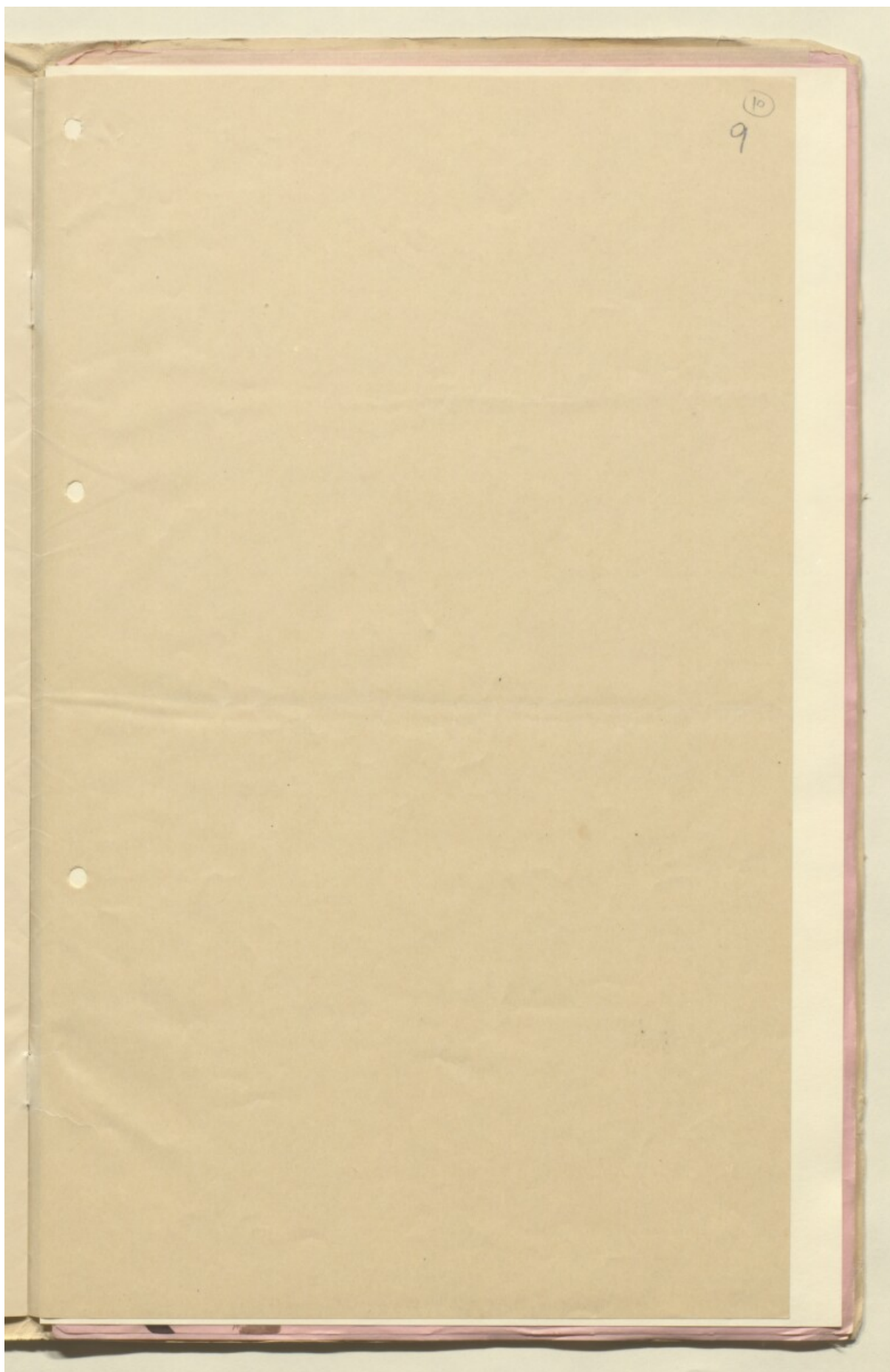
In the presence of—

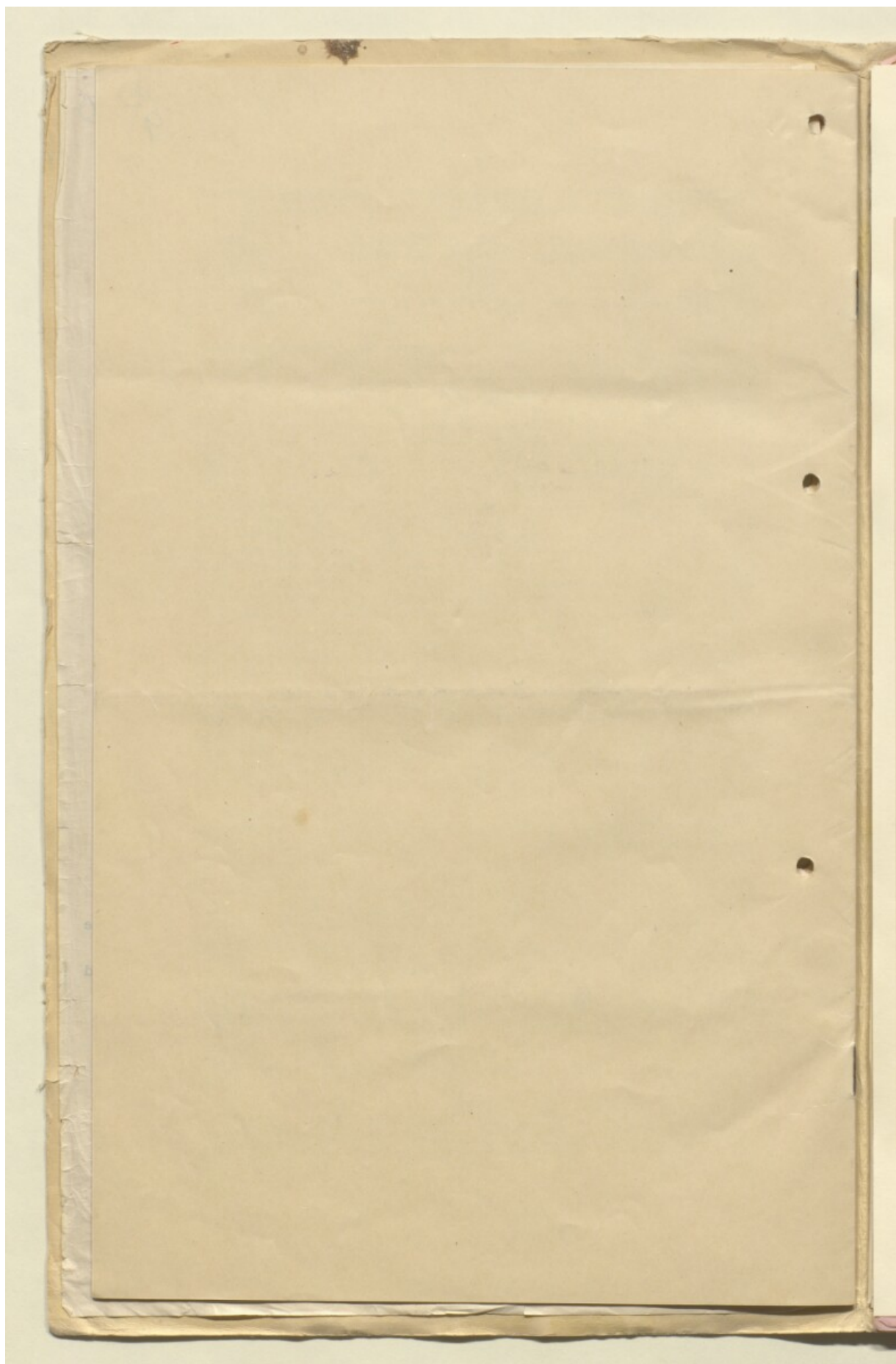
H. R. P. DICKSON, Lt.-Col.,  
23rd December 1934.



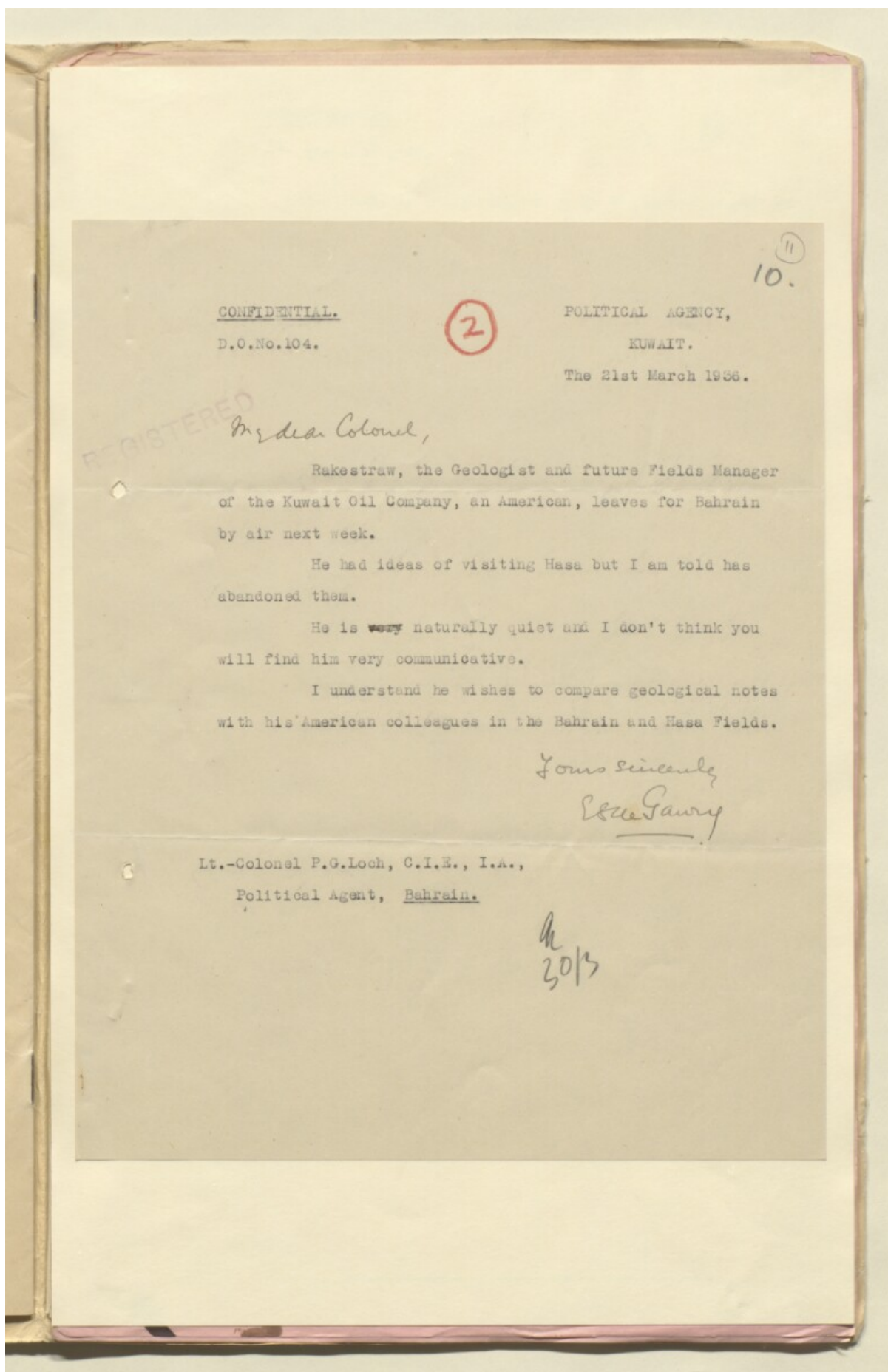












CONFIDENTIAL.

D.O.No.104.

(2)

POLITICAL AGENCY,

KUWAIT.

The 21st March 1936.

REGISTERED  
Mr de la Colombe,

Rakestraw, the Geologist and future Fields Manager of the Kuwait Oil Company, an American, leaves for Bahrain by air next week.

He had ideas of visiting Hasa but I am told has abandoned them.

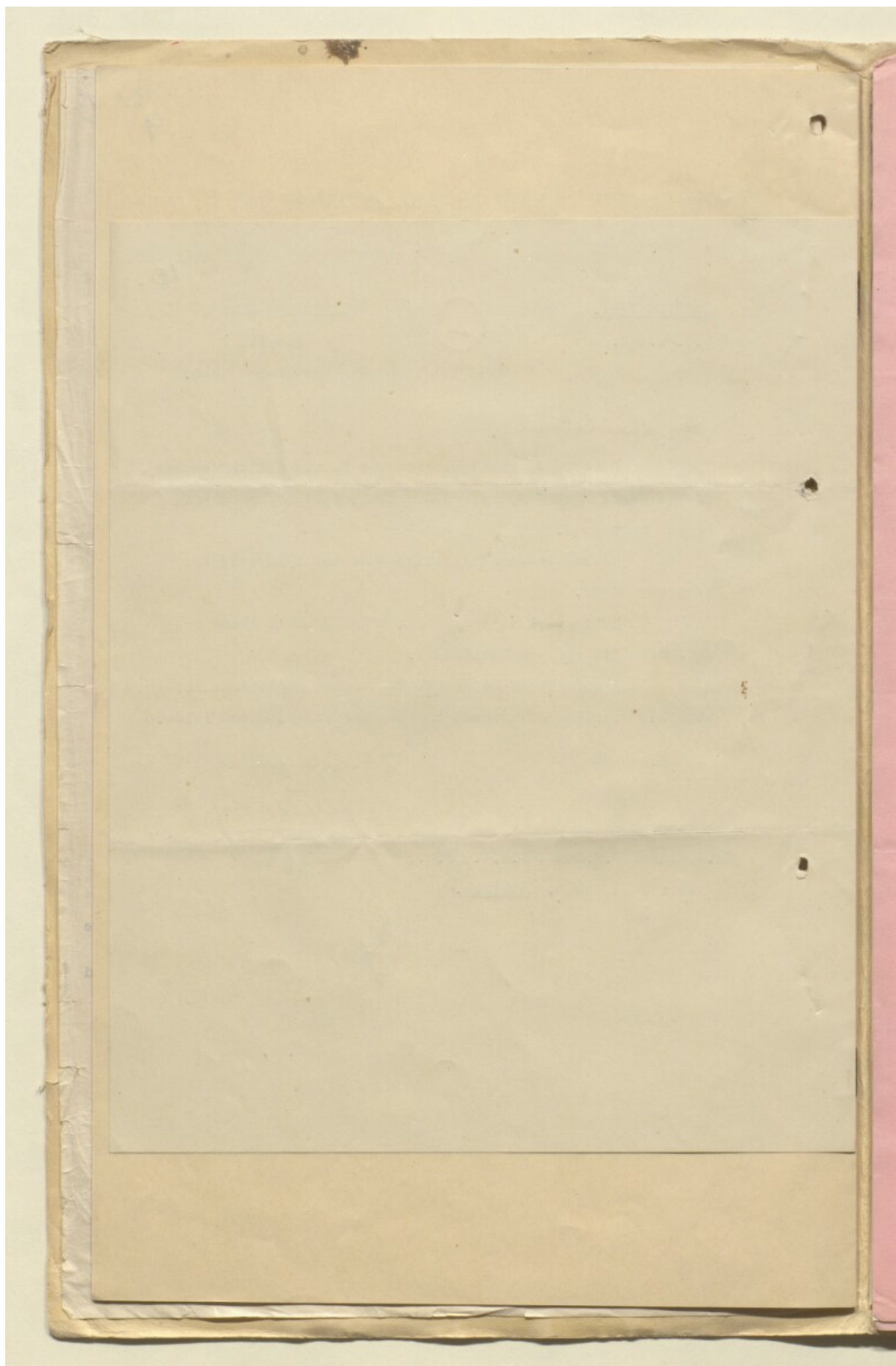
He is ~~very~~ naturally quiet and I don't think you will find him very communicative.

I understand he wishes to compare geological notes with his American colleagues in the Bahrain and Hasa Fields.

Yours sincerely  
P.G. Loch

Lt.-Colonel P.G. Loch, C.I.E., I.A.,  
Political Agent, Bahrain.

h  
30/3







CONFIDENTIAL.

No. 174-S of 1937.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. The Foreign Secretary to the Government of India,  
New Delhi.
  2. The Political Agent, Kuwait.
  - ✓ 3. The Political Agent, Bahrain.
  4. The Political Agent, Muscat.
- and has the honour to transmit to him a copy of the undermentioned documents (s).



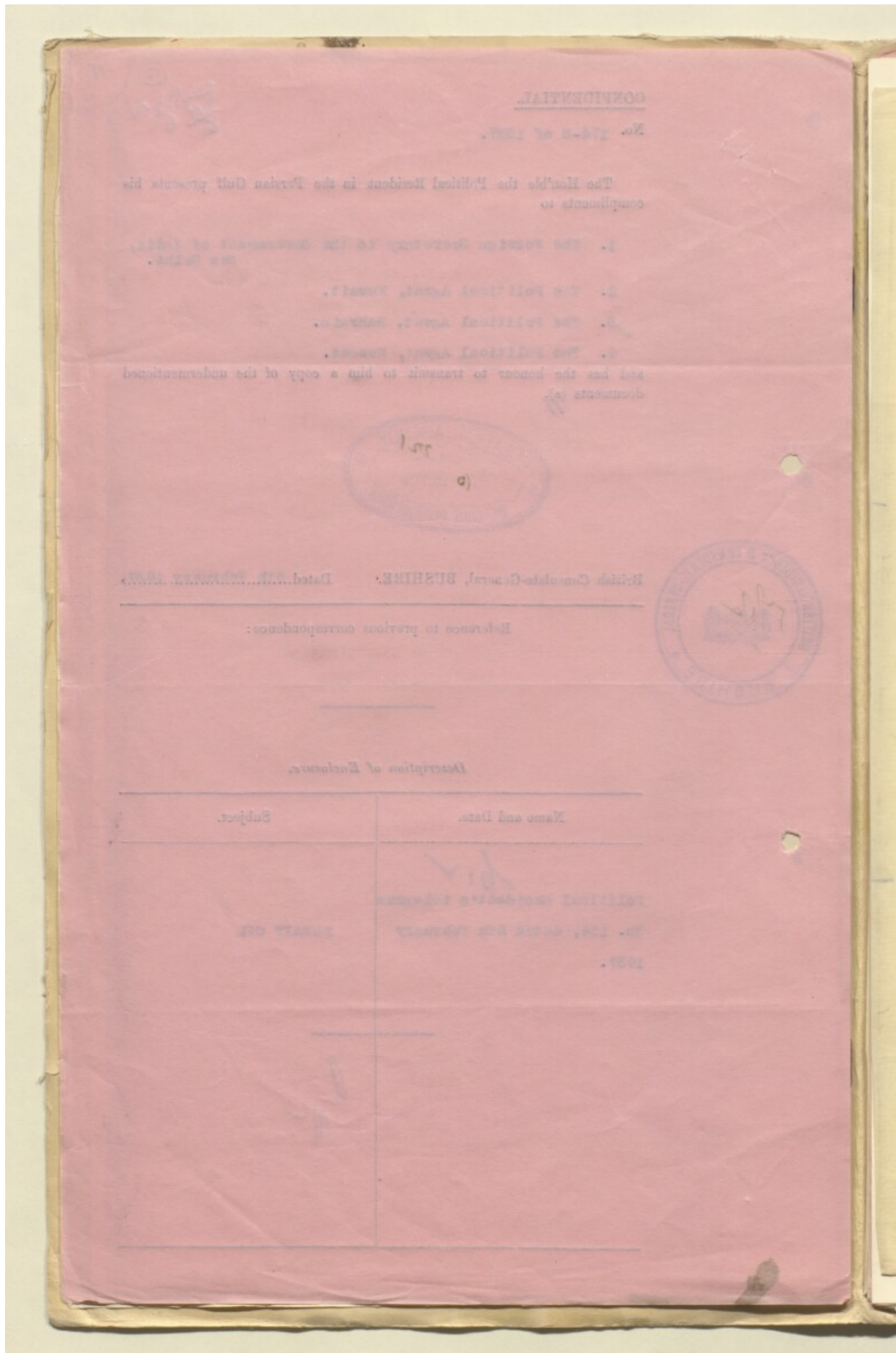
British Consulate-General, BUSHIRE.

Dated 5th February 1937.

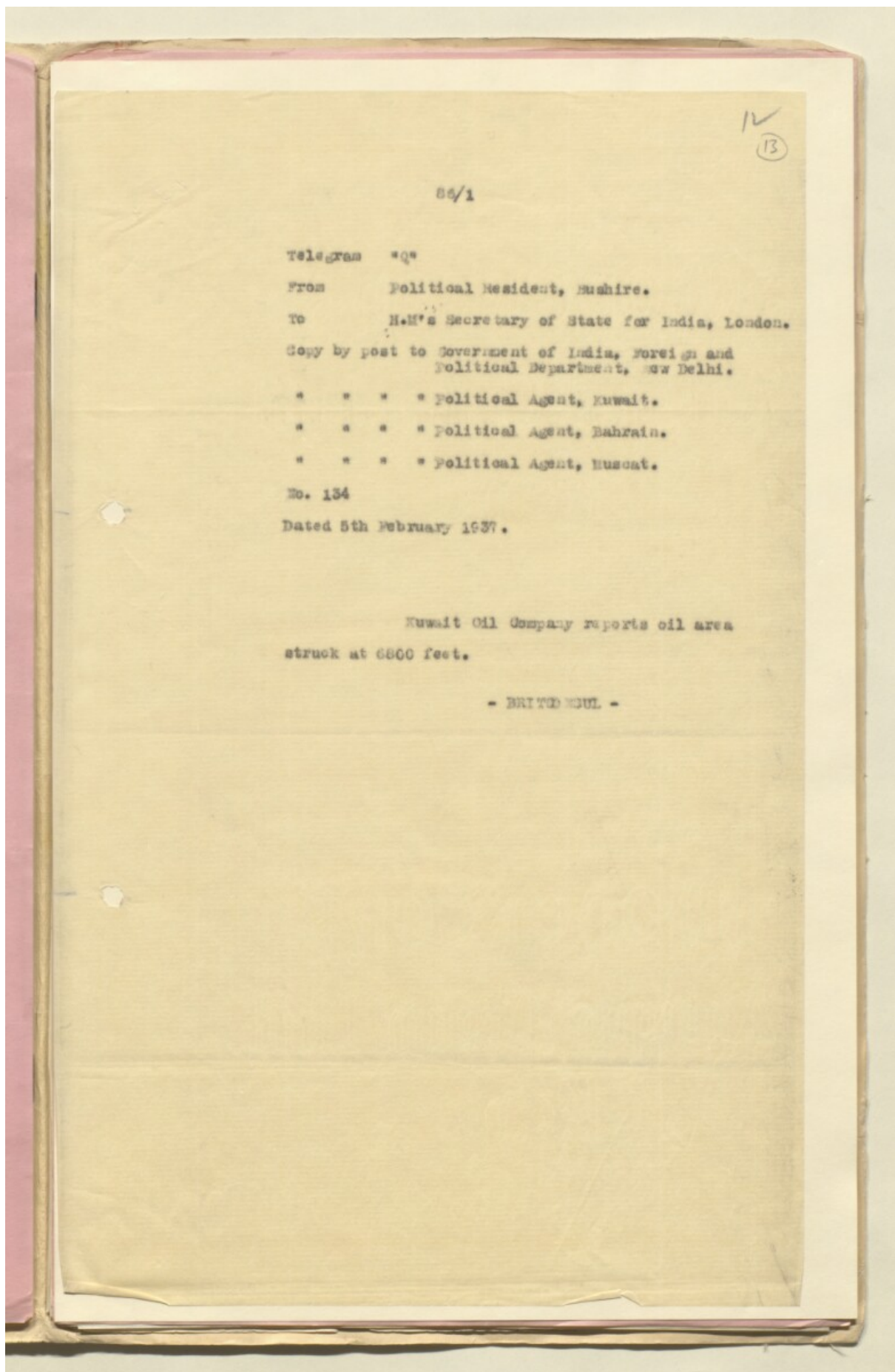
Reference to previous correspondence:

*Description of Enclosure.*

Name and Date.	Subject.
Political Resident's telegram No. 134, dated 5th February 1937.	KUWAIT OIL







85/1

Telegram "Q"

From Political Resident, Bushire.

To H.M.'s Secretary of State for India, London.

Copy by post to Government of India, Foreign and  
Political Department, New Delhi.

\* \* \* \* Political Agent, Kuwait.

\* \* \* \* Political Agent, Bahrain.

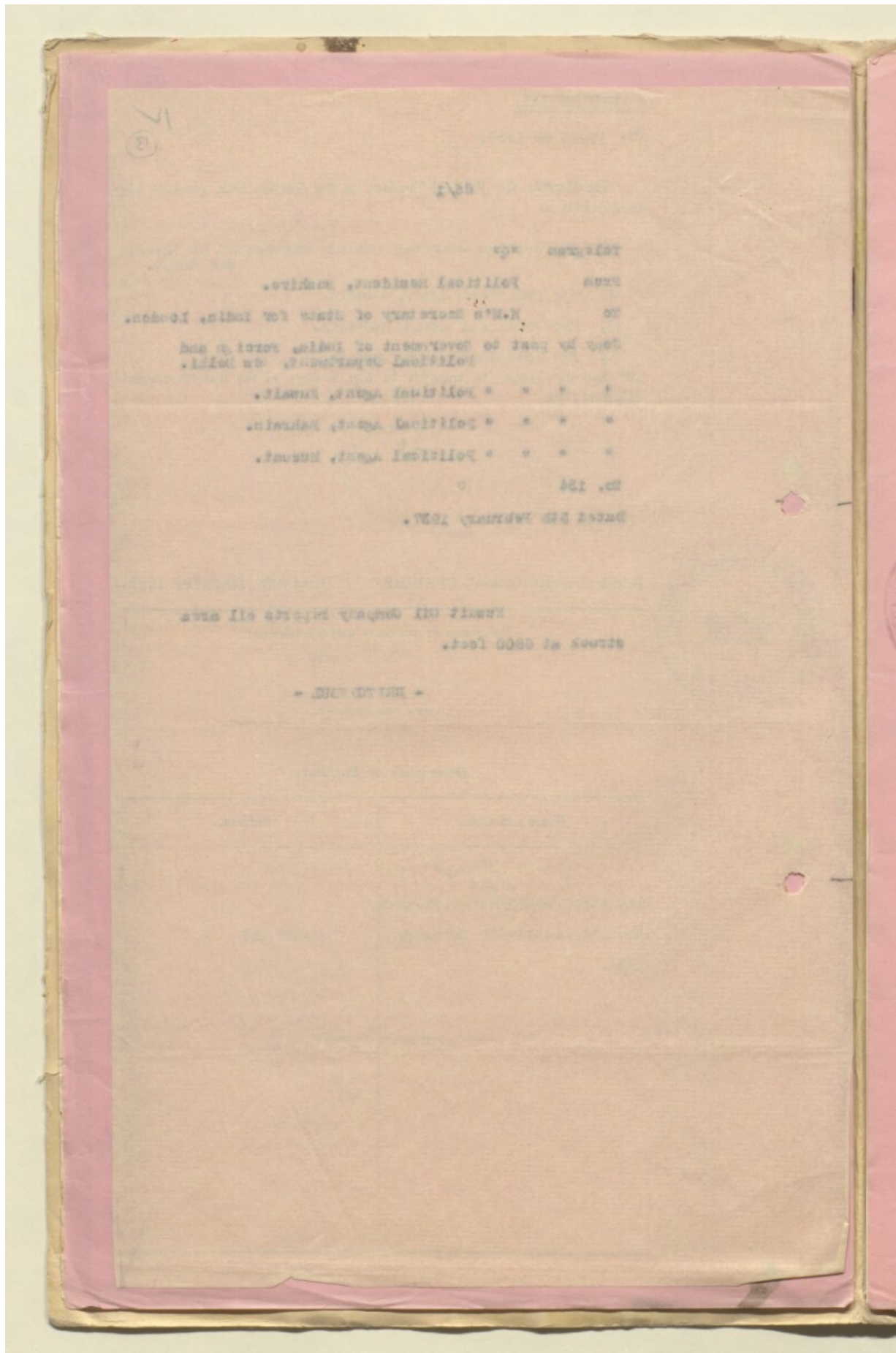
\* \* \* \* Political Agent, Muscat.

No. 134

Dated 5th February 1937.

Kuwait Oil Company reports oil area  
struck at 6800 feet.

- DATED 1937 -







107 13 (14)

CONFIDENTIAL.

No. No. 320-S of 1937.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. H.M.'s Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, New Delhi.
3. The Political Agent, Bahrain. ✓
4. The Political Agent, Muscat.

and has the honour to transmit to him a copy of the undermentioned documents (s).

POLITICAL AGENCY  
434  
- 1 Apr 1937  
PERSIAN GULF

British Consulate-General, BUSHIRE. Dated... 27th March 1937.

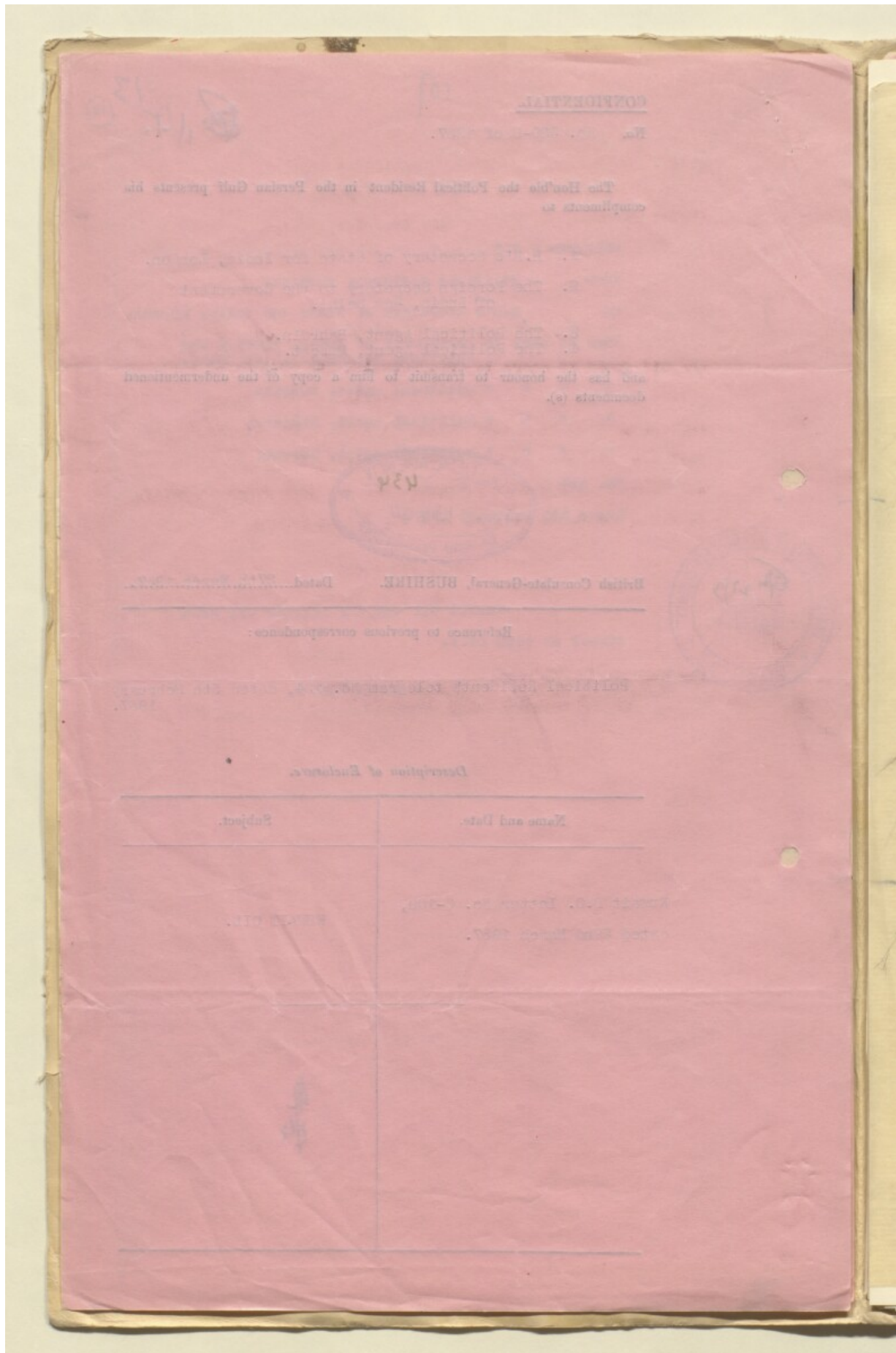
Reference to previous correspondence:

Political Resident's telegram No. 124, dated 5th February 1937.

*Description of Enclosure.*

Name and Date.	Subject.
Kuwait D.O. Letter No. C-309, dated 22nd March 1937.	KUWAIT OIL.

42  
1/4







(N: C/109?)

(15) 1/4

COPY

POLITICAL AGENCY

KUWAIT.

CONFIDENTIAL

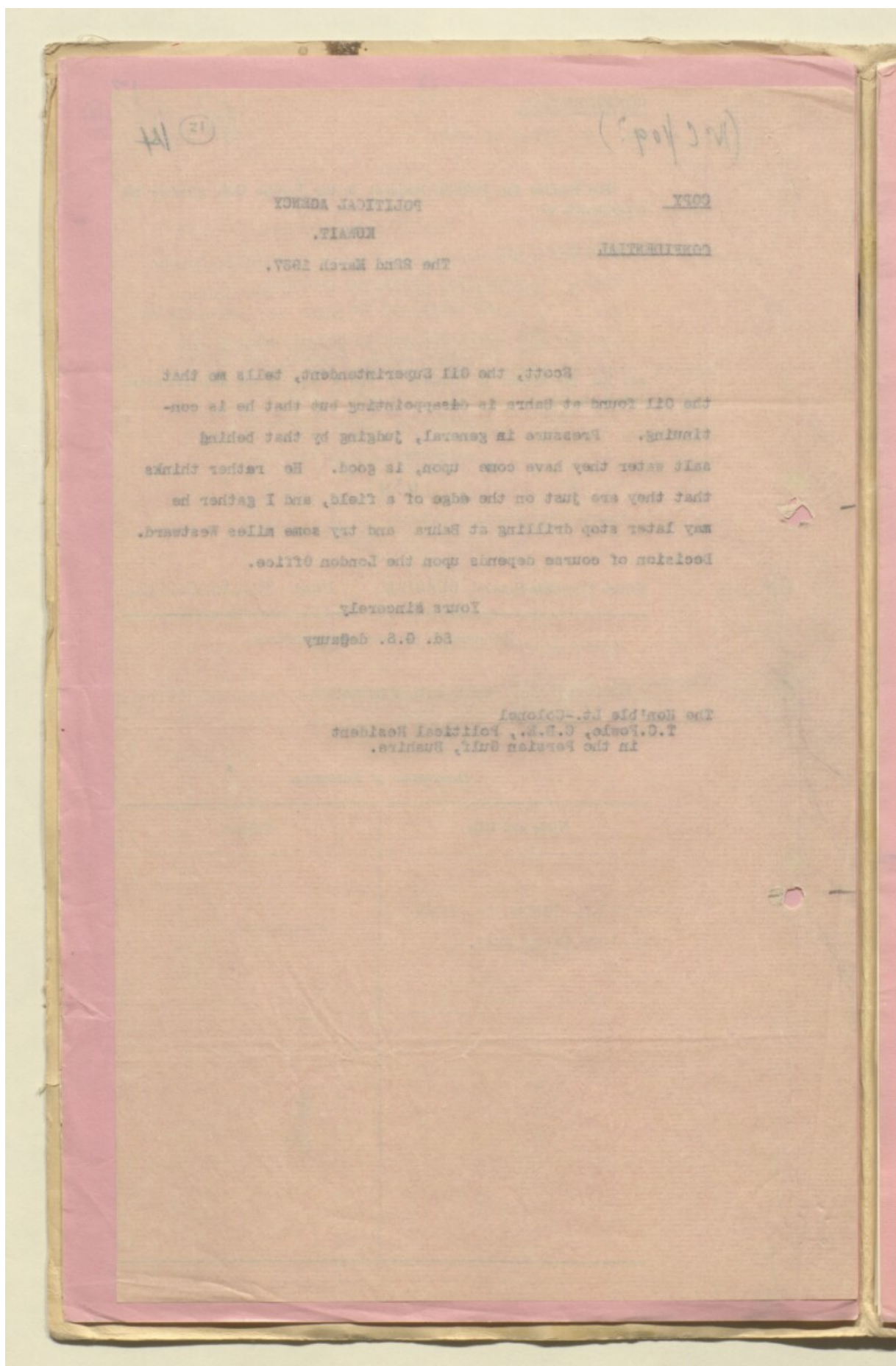
The 22nd March 1937.

Scott, the Oil Superintendent, tells me that the Oil found at Bahra is disappointing but that he is continuing. Pressure in general, judging by that being salt water they have come upon, is good. He rather thinks that they are just on the edge of a field, and I gather he may later stop drilling at Bahra and try some miles Westward. Decision of course depends upon the London Office.

Yours Sincerely

Sd. G.S. deSaury

The Hon'ble Lt.-Colonel  
T.C.Fowle, C.B.E., Political Resident  
in the Persian Gulf, Bushire.







199  
5

15 (16)

*File.*  
*8/5*


CONFIDENTIAL.

No. C/143 of 1937.

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The ~~Assistant~~ Secretary to the Government of India in the External Affairs Department, Simla.
3. The Political Agent, Bahrain. ✓
4. The Political Agent, Muscat.

and has the honour to transmit to him a copy of the undermentioned documents (✓)




Office of the Political Resident in the Persian Gulf, Camp, Bahrain.

British Consulate-General, BUSHIRE. Dated... 8th May 1937......

Reference to previous correspondence:

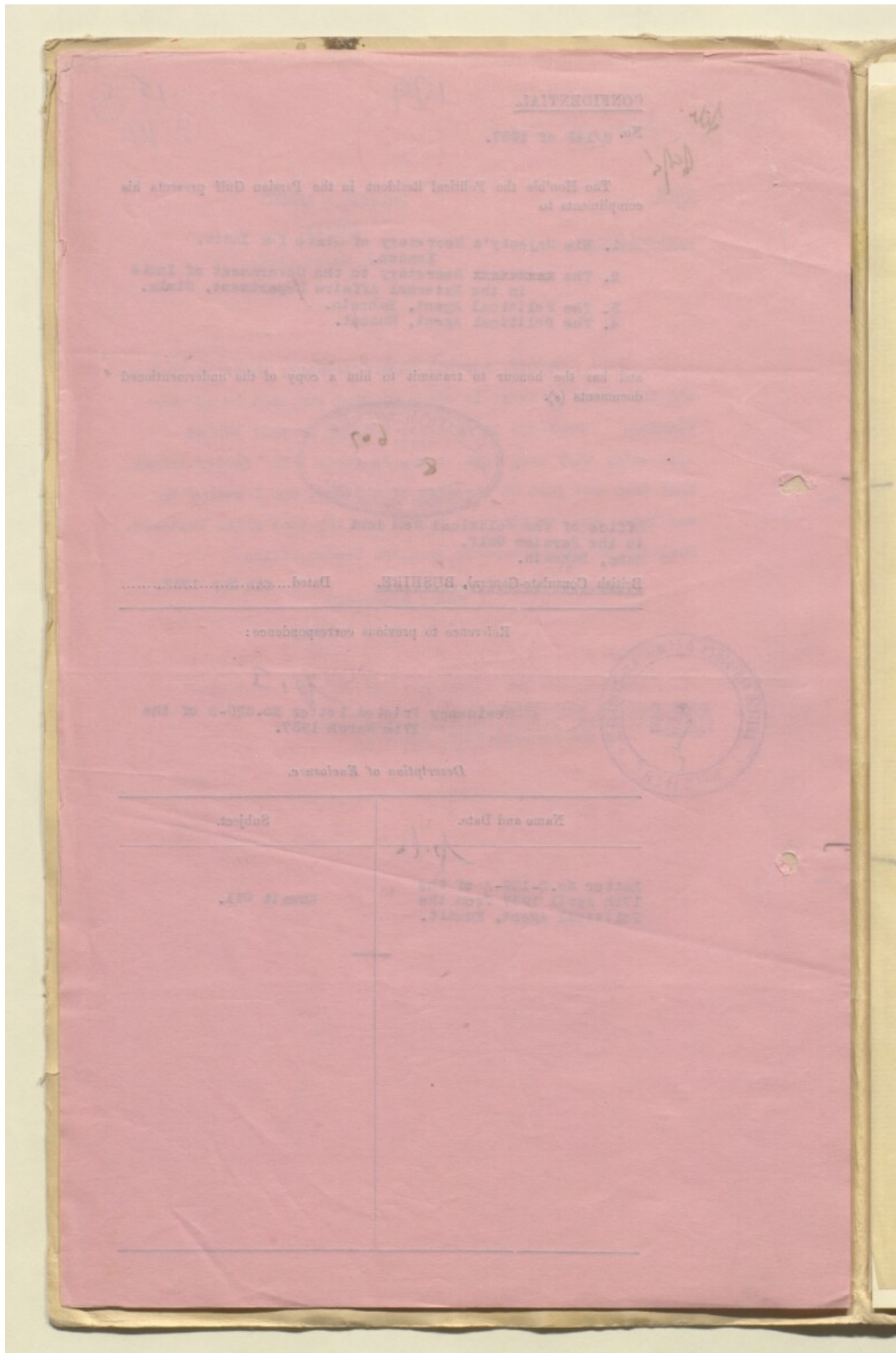
*p. 3*

Residency Printed letter No. 320-S of the 27th March 1937.



Description of Enclosure.

Name and Date.	Subject.
<i>p. 16</i> Letter No. C-122-A of the 17th April 1937 from the Political Agent, Kuwait.	Kuwait Oil.







16 (17)

Confidential.

D.O.No.C-122-A.

Political Agency,

KUWAIT.

The 17th April, 1937.

Dear Colonel Fowle,

Will you please refer to de Gaury's d.o. letter  
No.C\_109, dated the 22nd March 1937.

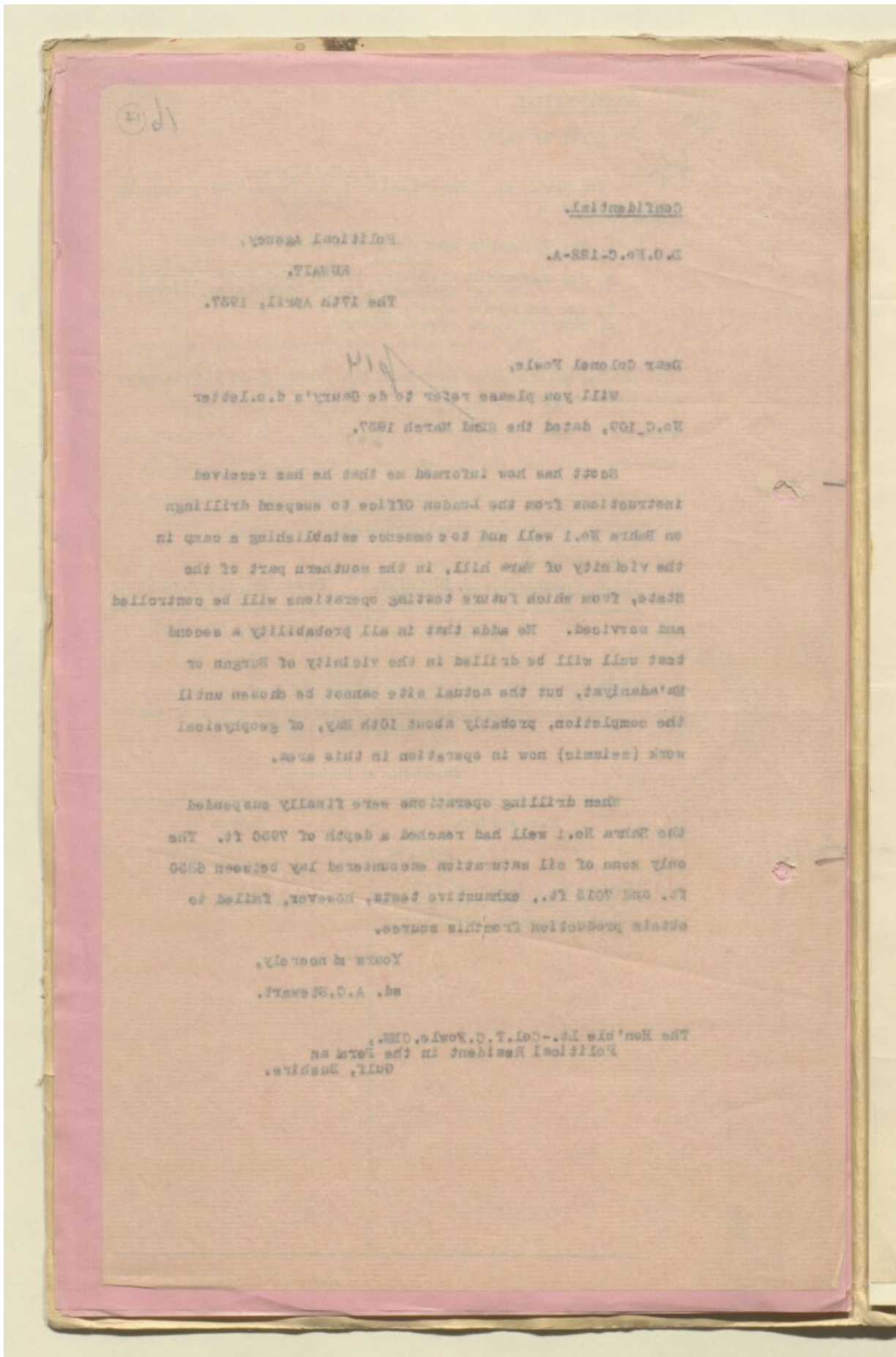
Scott has now informed me that he has received instructions from the London Office to suspend drilling on Bahra No.1 well and to commence establishing a camp in the vicinity of Wara hill, in the southern part of the State, from which future testing operations will be controlled and serviced. He adds that in all probability a second test well will be drilled in the vicinity of Burgan or Ma'adaniyat, but the actual site cannot be chosen until the completion, probably about 10th May, of geophysical work (seismic) now in operation in this area.

When drilling operations were finally suspended the Bahra No.1 well had reached a depth of 7950 ft. The only zone of oil saturation encountered lay between 6850 ft. and 7015 ft., exhaustive tests, however, failed to obtain production from this source.

Yours sincerely,

sd. A.C.Stewart.

The Hon'ble Lt.-Col.T.C.Fowle, CBE.,  
Political Resident in the Persian  
Gulf, Bushire.







Confidential.

D.O.No.C- 22

Political Agency,

Kuwait.

The 16th January, 1938.

17 (18)  
1.R.124  
26/1/38  
My dear Weightman,  
Packer of P.O.L., Bahrain (who was serving in Iraq when I was there some years ago) writes privately to enquire if there is "any indication of a change in the views of the Sheikh of Kuwait, as to giving an option or concession over the Neutral Zone and if there is any hope of opening negotiations", and what hope there may be of progress if negotiations were opened.

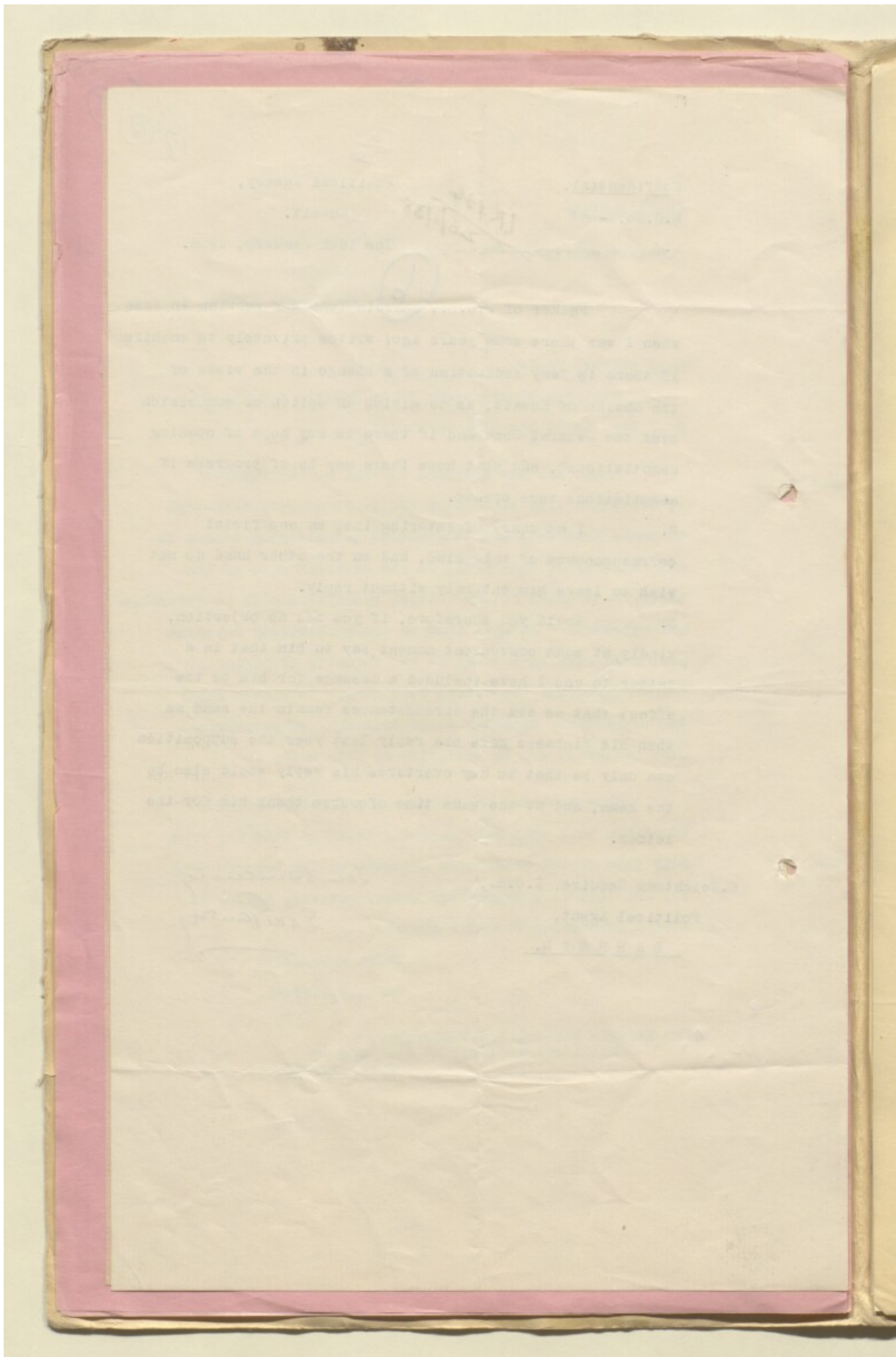
2. I am chary of entering into an unofficial correspondence of this kind, and on the other hand do not wish to leave him entirely without reply.

3. Would you therefore, if you see no objection, kindly, at some convenient moment, say to him that in a letter to you I have included a message for him to the effect that as all the circumstances remain the same, as when His Highness gave his reply last year, the supposition can only be that to any overtures his reply would also be the same, and at the same time of course thank him for the letter.

H. Weightman Esquire, I.C.S.,  
Political Agent,  
BAHRAIN.

Yours sincerely,  
E. G. G. G.

h  
25/1







18 (19)

**CONFIDENTIAL.**

No. C/99 /XXX/2. *1. R. 284  
15/1/38*

The Political Agent at Kuwait presents his compliments to

The Political Agent,  
Bahrain. *h 1/13*


and has the honour to transmit to him a copy of the undermentioned document(s)  
for information.

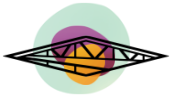
POLITICAL AGENCY,  
KUWAIT. *Dated the 5th March 1938.*

Reference to previous correspondence:

**DESCRIPTION OF ENCLOSURE.**

Name and Date.	Subject.
Telegram to Secretary of State for India, London, No. 93 dated 2nd March 1938.	<i>h 19</i> Oil in Kuwait.

*usual*  
  
*h 1/13*



CONFIDENTIAL  
No. 679 / 100/2.

1. D. 1. 1  
10/10/1938

The Political Agent at Kuwait presents his compliments to  
The Political Agent,  
Bahrain.

and has the honour to transmit to him a copy of the undermentioned document for information.

POLITICAL AGENCY,  
KUWAIT.  
Dated the 22nd March 1938.

Reference to previous correspondence:

DESCRIPTION OF ENCLOSURE.

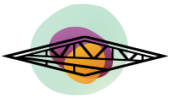
Name and Date	Subject
Telegram to Secretary of State for India, London, No. 95 dated 2nd March 1938.	Oil in Kuwait.

19/10/1938

10/10/1938

10/10/1938





19 (20)  
Telegram G.T.C.

From - Political, Kuwait.

To - Secretary of State for India, London

Repeated - By post to Government of India, Delhi,  
Bushire, Bahrain and Muscat.

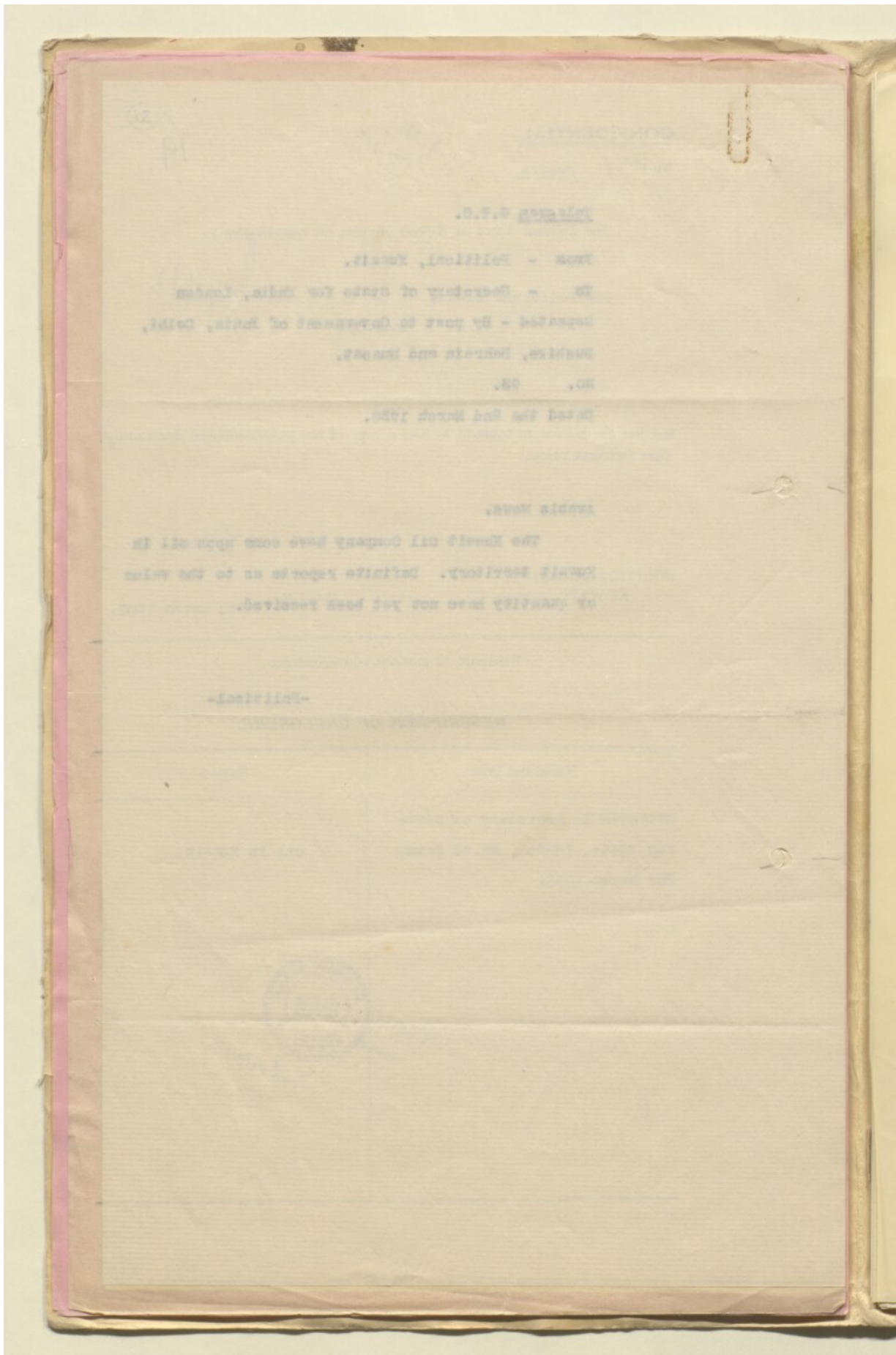
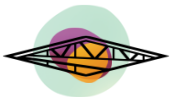
No. 93.

Dated the 2nd March 1938.

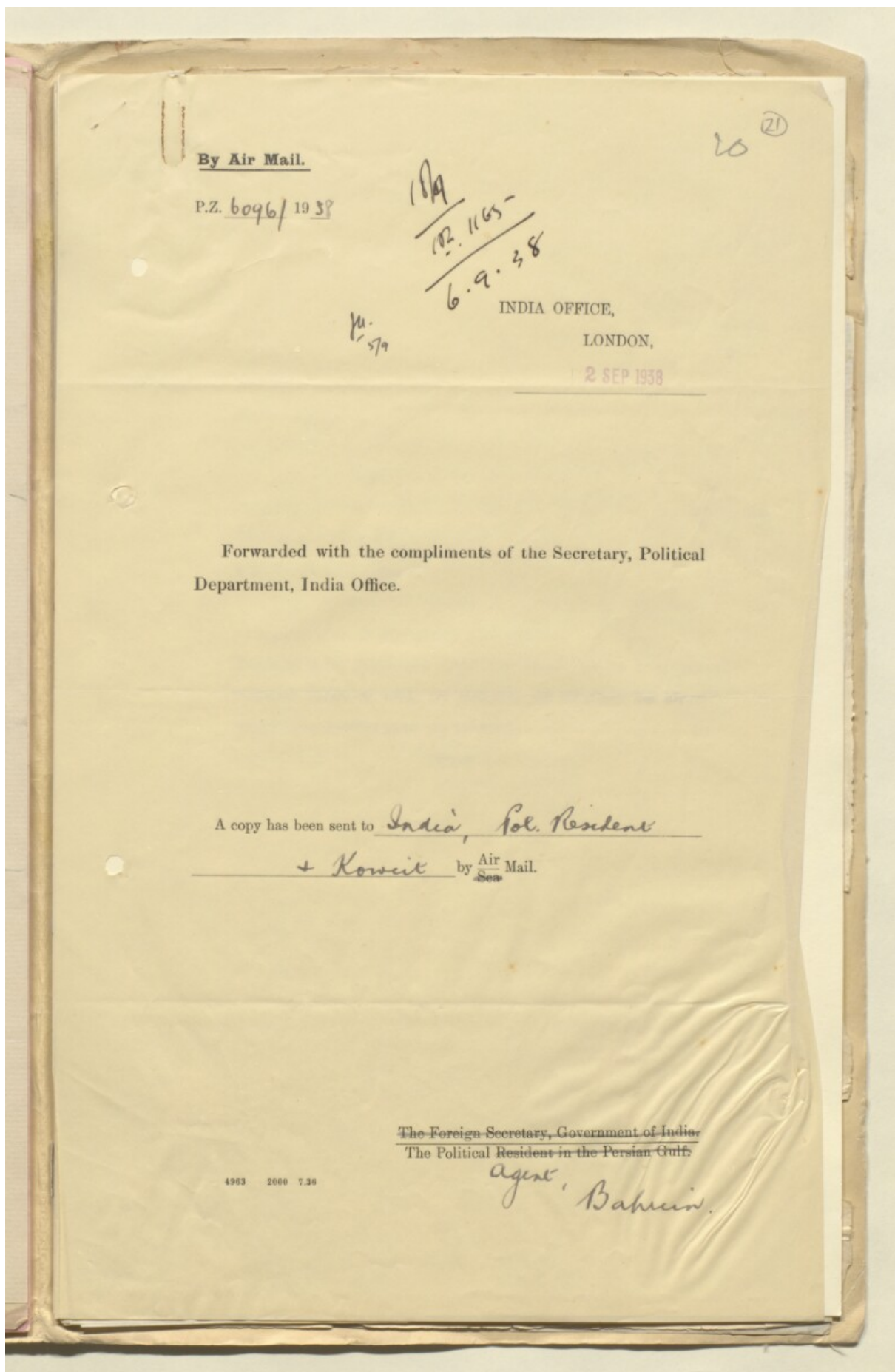
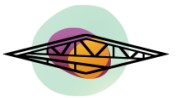
Arabic News.

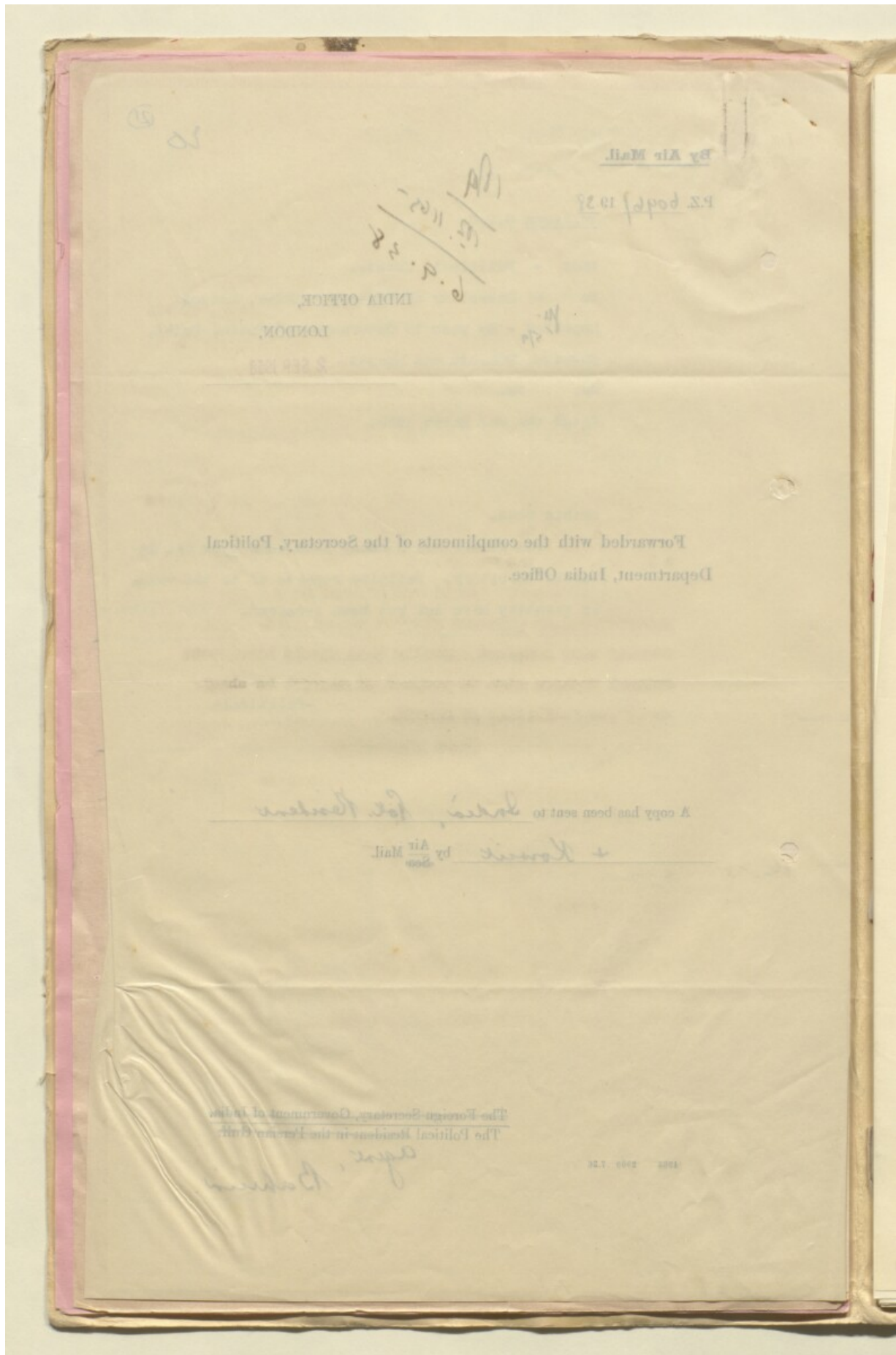
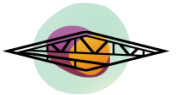
The Kuwait Oil Company have come upon oil in  
Kuwait territory. Definite reports as to the value  
or quantity have not yet been received.

-Political-

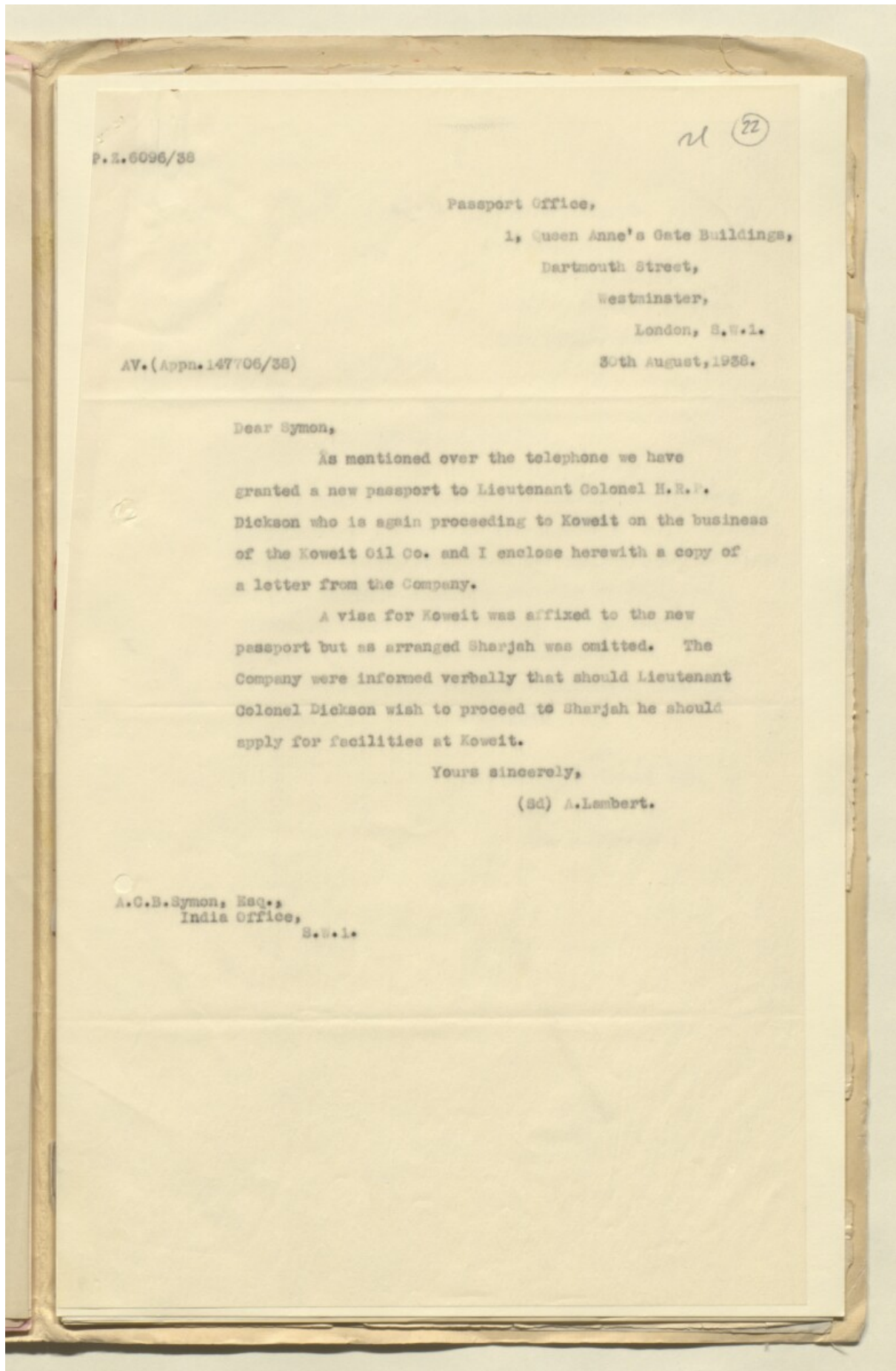
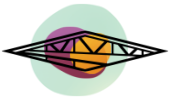












P.E. 6096/38

u (22)

Passport Office,

1, Queen Anne's Gate Buildings,

Dartmouth Street,

Westminster,

London, S.W.1.

AV. (Appn. 147706/38)

30th August, 1938.

Dear Symon,

As mentioned over the telephone we have granted a new passport to Lieutenant Colonel H.R.P. Dickson who is again proceeding to Kuwait on the business of the Kuwait Oil Co. and I enclose herewith a copy of a letter from the Company.

A visa for Kuwait was affixed to the new passport but as arranged Sharjah was omitted. The Company were informed verbally that should Lieutenant Colonel Dickson wish to proceed to Sharjah he should apply for facilities at Kuwait.

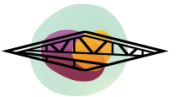
Yours sincerely,

(Sd) A. Lambert.

A.C.B. Symon, Esq.,  
India Office,  
S.W.1.

View on the Qatar Digital Library: [http://www.qdl.qa/en/archive/81055/vdc\\_100025670587.0x00002d](http://www.qdl.qa/en/archive/81055/vdc_100025670587.0x00002d)





P.E.6096/38

23

KUWAIT OIL COMPANY, LIMITED,  
Britannic House,  
Finsbury Circus,  
London, E.C.2.  
26th August, 1938.

TO WHOM IT MAY CONCERN.

This is to certify that Lt.Col. H.R.P. Dickson  
is proceeding to Kuwait on the business of this Company,  
by train across Europe, thence via Turkey, Syria and Iraq.

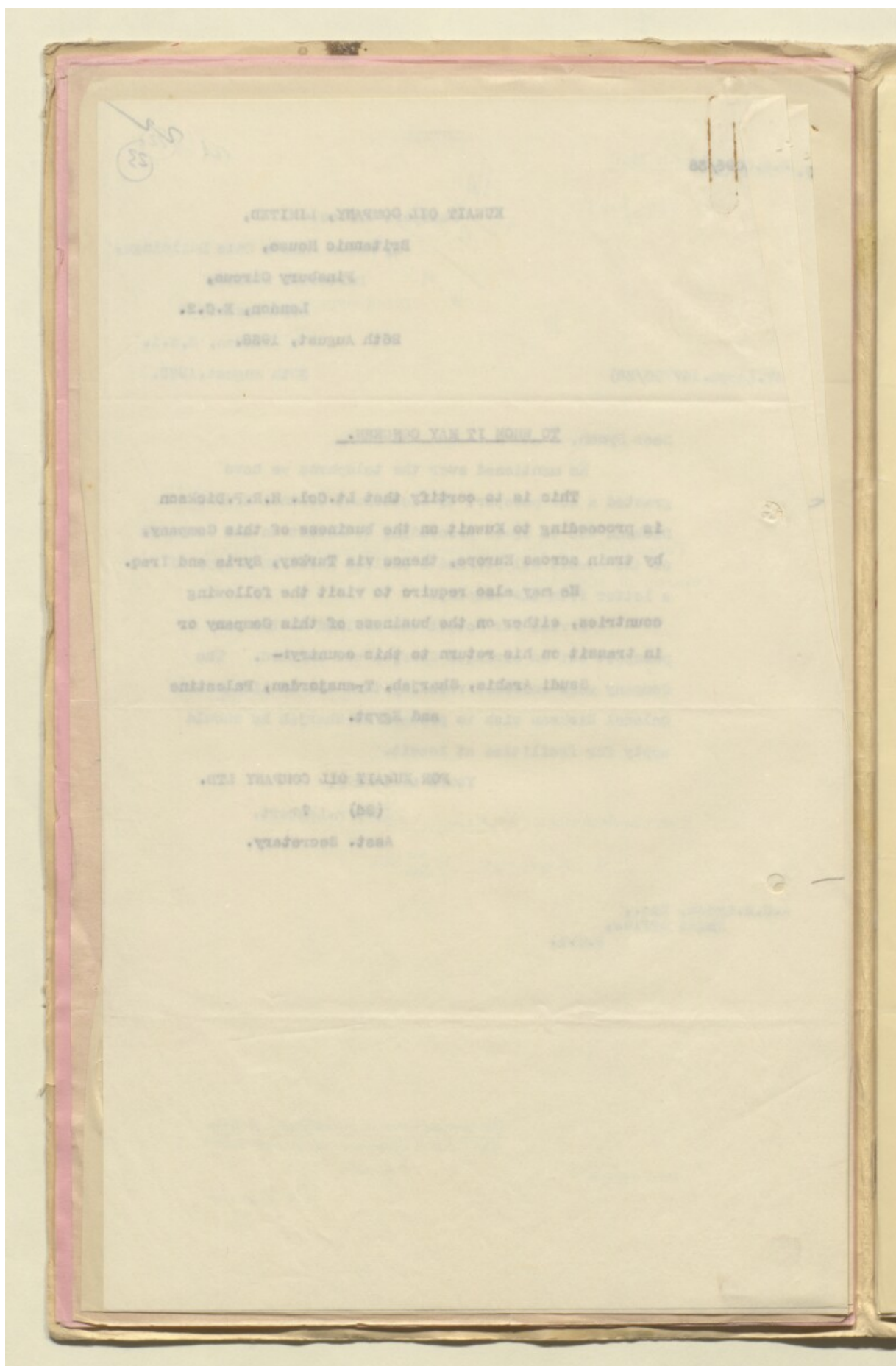
He may also require to visit the following  
countries, either on the business of this Company or  
in transit on his return to this country:-

Saudi Arabia, Sharjah, Transjordan, Palestine  
and Egypt.

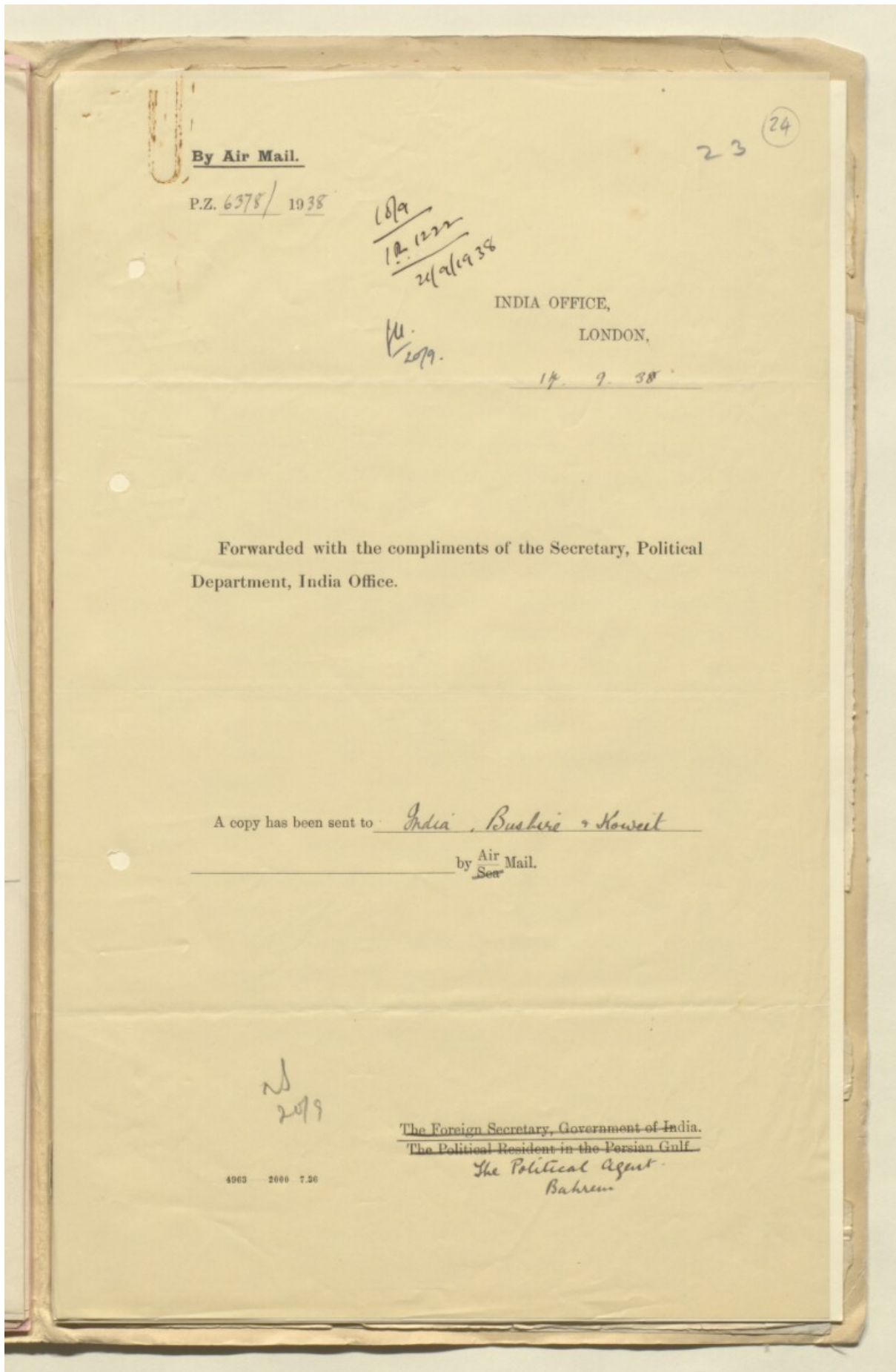
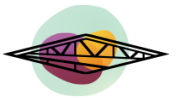
FOR KUWAIT OIL COMPANY LTD.

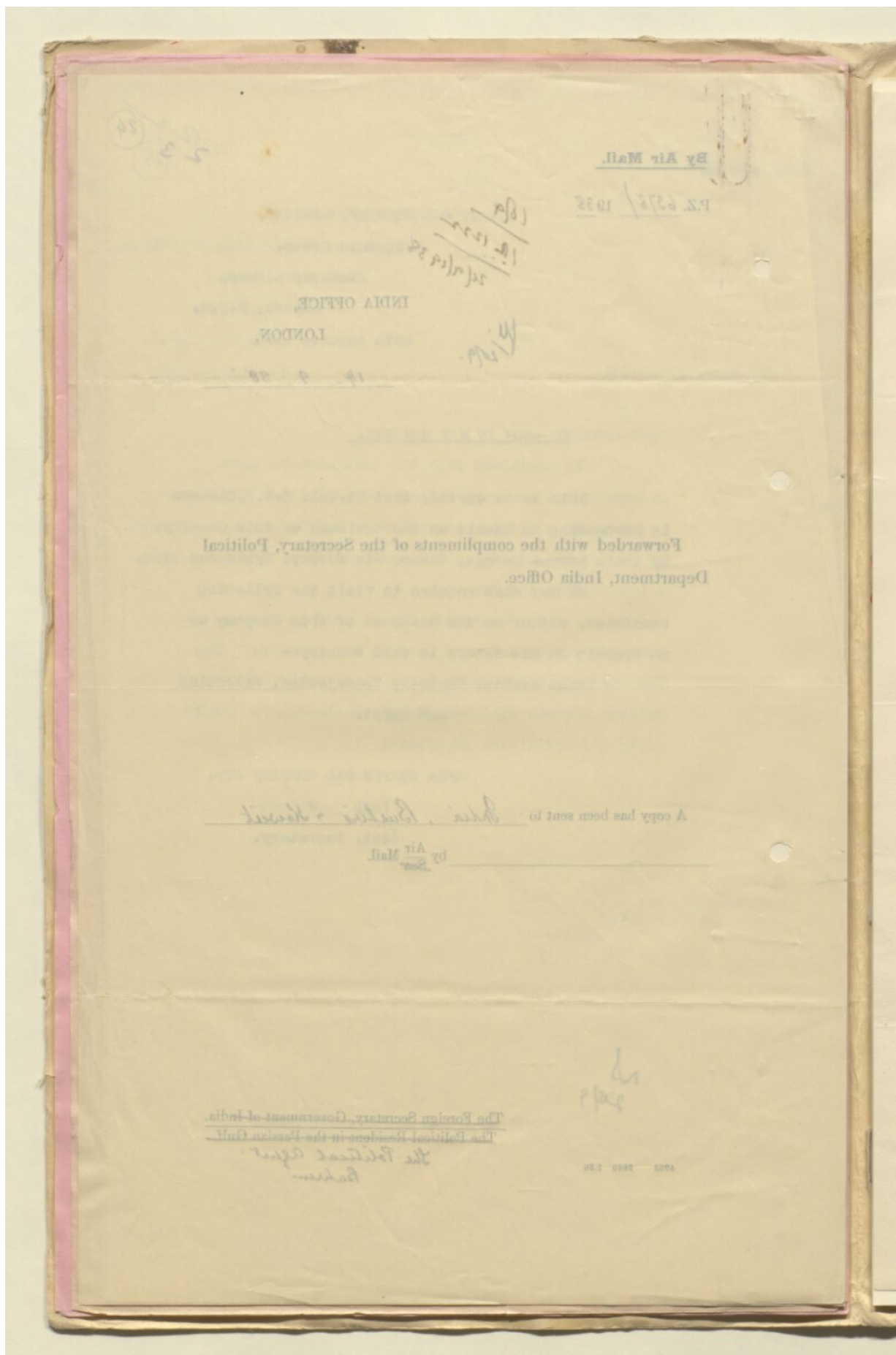
(sd) T

Asst. Secretary.













P.Z. 6378/1938.

*Bahrain*

*24*

(25)

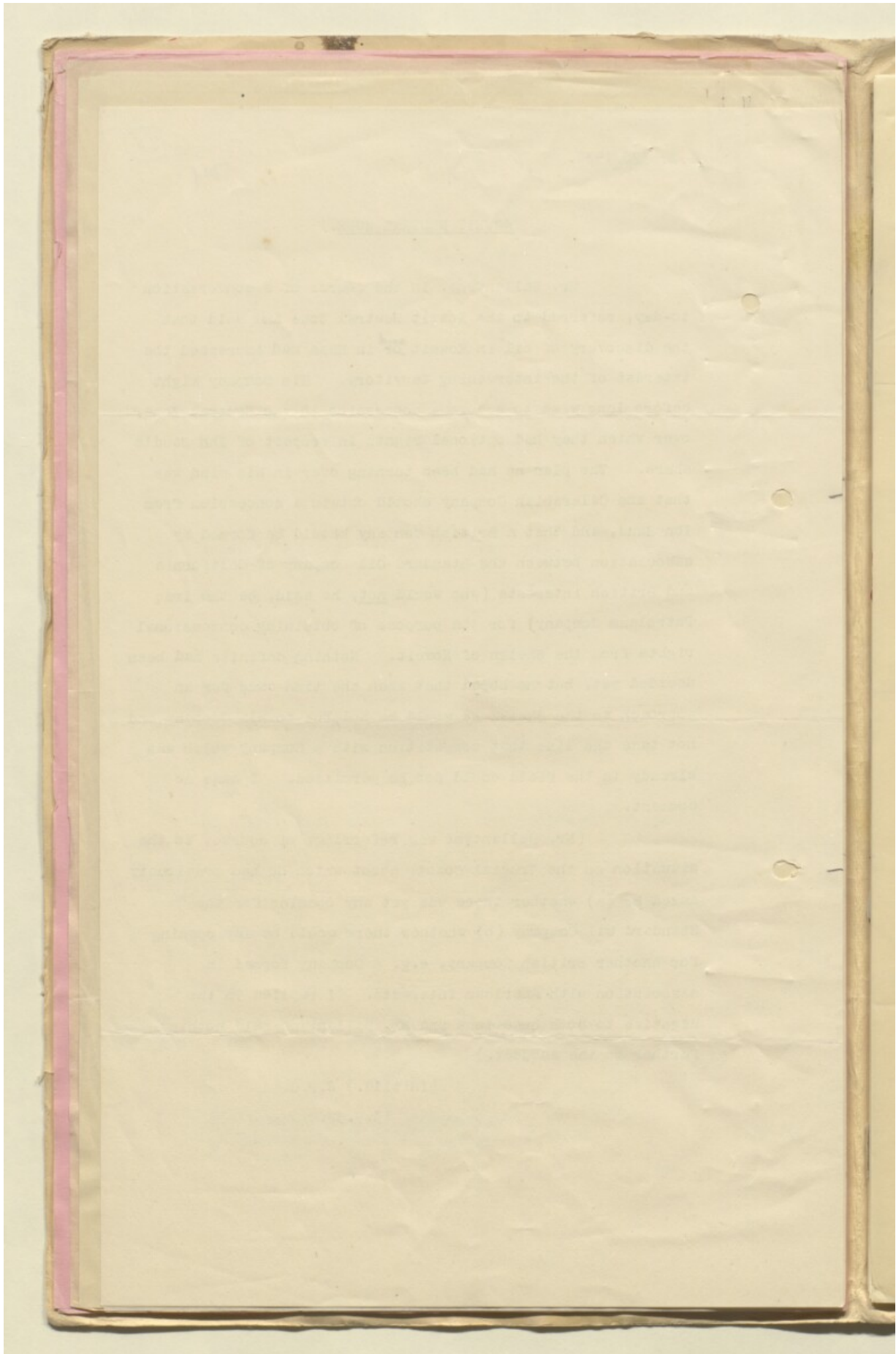
KOWEIT NEUTRAL ZONE.

Mr. Ballantyne, in the course of a conversation to-day, referred to the Koweit Neutral Zone and said that the discovery of oil in Koweit <sup>and</sup> ~~or~~ in Hasa had increased the interest of the intervening territory. His Company might before long wish to secure a concession in the Neutral Zone, over which they had optional rights in respect of Ibn Saud's share. The plan he had been turning over in his mind was that the Calarabian Company should obtain a concession from Ibn Saud, and that a British Company should be formed by association between the Standard Oil Company of California and British interests (who would not, he said, be the Iraq Petroleum Company) for the purpose of obtaining concessional rights from the Sheikh of Koweit. Nothing definite had been decided yet, but he hoped that when the time came for an approach to the Sheikh we would be helpful to his Company and not take the line that competition with a Company which was already in the field could not be permitted. I made no comment.

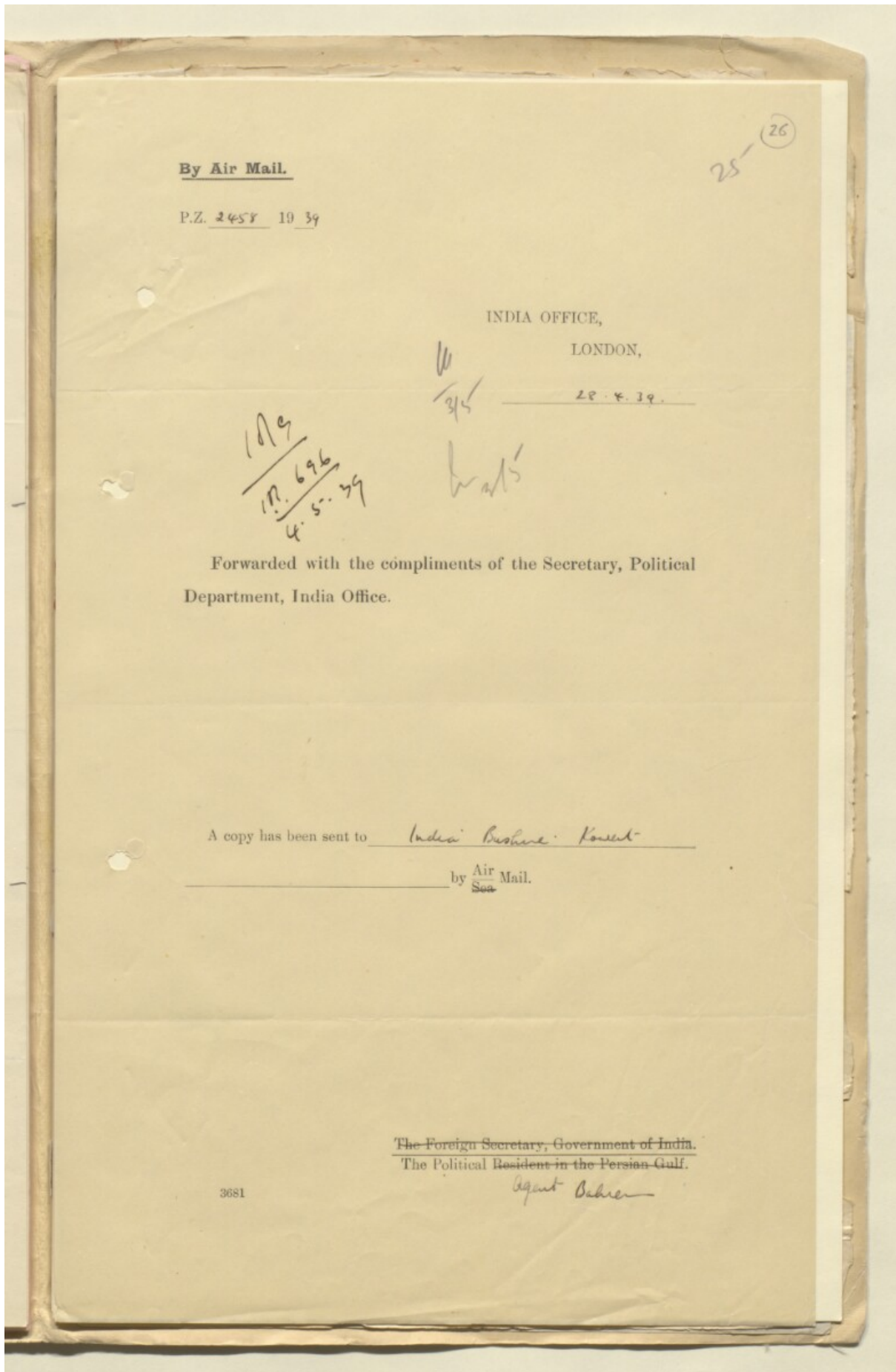
(Mr. Ballantyne was referring, of course, to the situation on the Trucial Coast, about which he had previously asked me (a) whether there was yet any opening for the Standard Oil Company (b) whether there would be any opening for another British Company, e.g. a Company formed in association with American interests. I replied in the negative to both questions and Mr. Ballantyne said nothing further on the subject.)

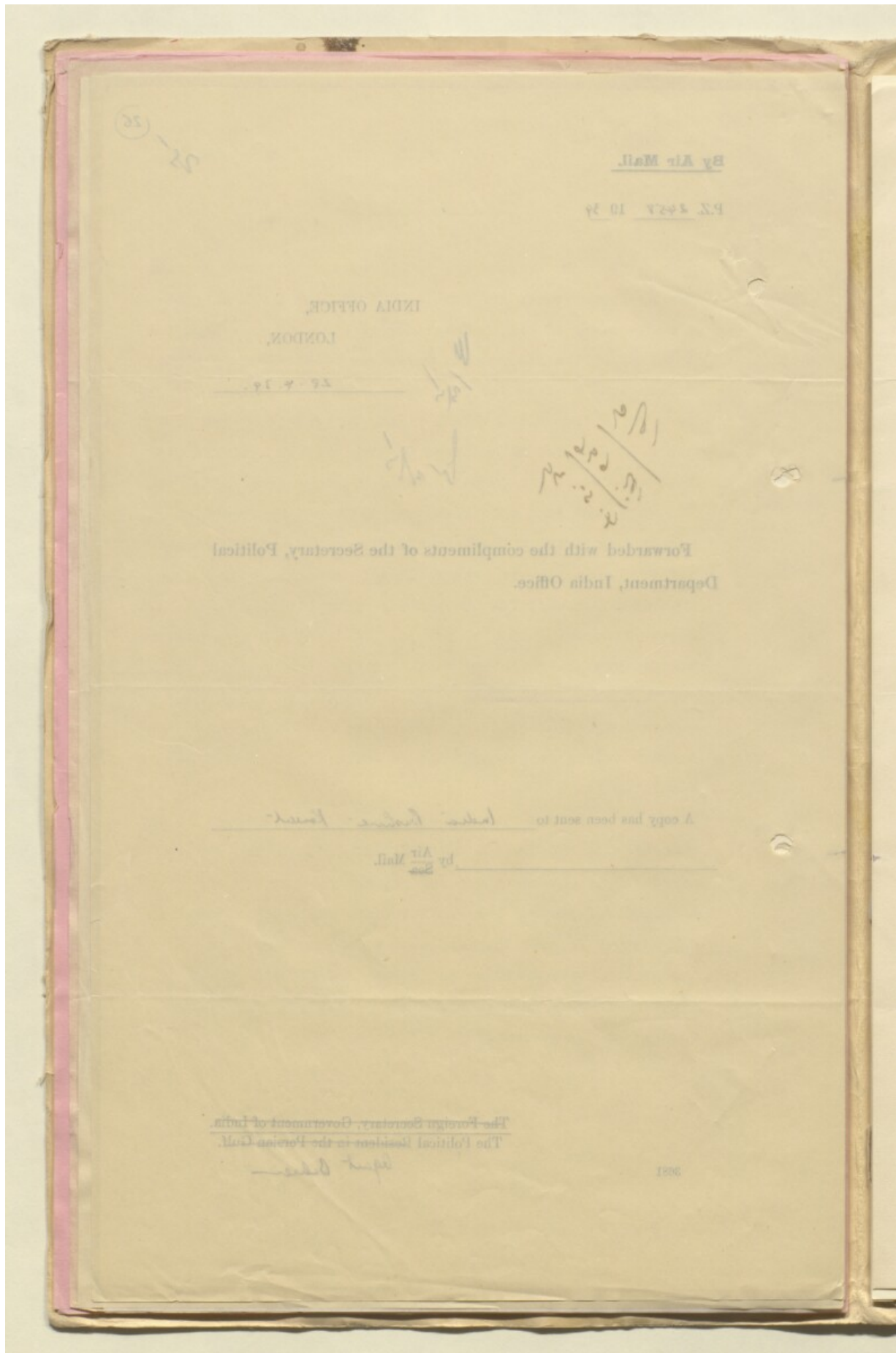
(Initl'd.) J.P.G.

13.9.38.

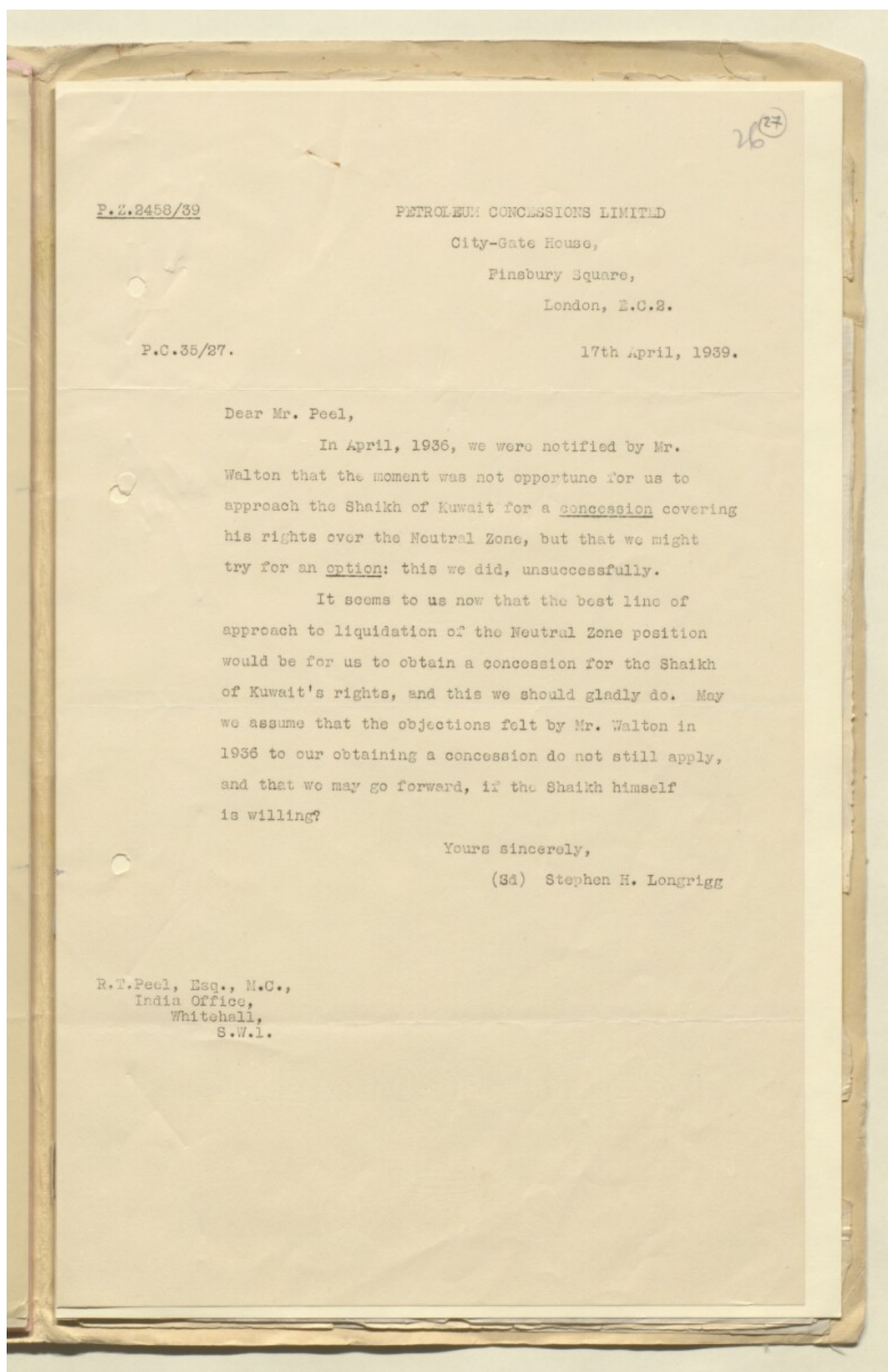












P.Z.2458/39

PETROLEUM CONCESSIONS LIMITED

City-Gate House,  
Finsbury Square,  
London, E.C.2.

P.C.35/27.

17th April, 1939.

Dear Mr. Peel,

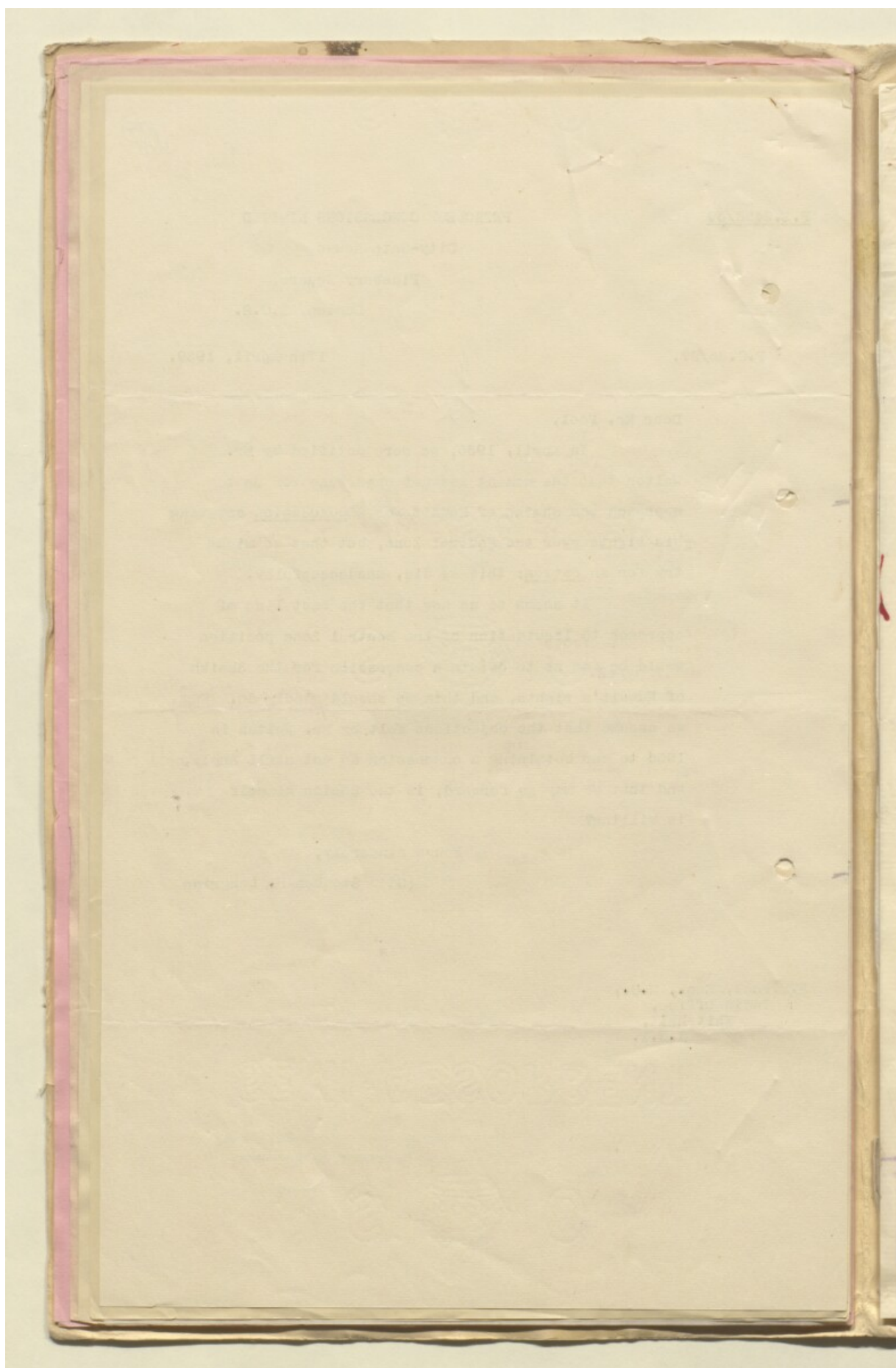
In April, 1936, we were notified by Mr. Walton that the moment was not opportune for us to approach the Shaikh of Kuwait for a concession covering his rights over the Neutral Zone, but that we might try for an option: this we did, unsuccessfully.

It seems to us now that the best line of approach to liquidation of the Neutral Zone position would be for us to obtain a concession for the Shaikh of Kuwait's rights, and this we should gladly do. May we assume that the objections felt by Mr. Walton in 1936 to our obtaining a concession do not still apply, and that we may go forward, if the Shaikh himself is willing?

Yours sincerely,

(Sd) Stephen H. Longrigg

R.T. Peel, Esq., M.C.,  
India Office,  
Whitehall,  
S.W.1.







Ext.2156/42.

Confidential.  
By Air Mail.

India Office,  
Whitehall, S.W.1.

4th May 1942.

Dear Hay,

On receiving your letter No.C/41 of March 5th, we asked the Petroleum Department to confirm our assumption that in the existing supply and shipping situation there was nothing we could do to help the Kuwait Oil Company to obtain the material they need to maintain their operations on the present restricted basis. I enclose a copy of our letter together with the Petroleum Department's reply.

To Petroleum Department dated  
April 24th.  
From Petroleum Department dated  
April 27th.

We do not feel that we can contest the Petroleum Department's argument that it is illogical that drilling should be continued at Kuwait

(and Qatar) when a number of the existing wells at Bahrain and on the mainland of Saudi Arabia are being closed down. In the light of their letter, it is difficult to resist the conclusion that, despite political considerations, we must acquiesce in the gradual cessation of operations at Kuwait.

We will let you know as soon as we receive the Petroleum Department's recommendations with regard to Qatar.

I am sending copies of this letter and enclosure to Caroe and Prior.

Yours sincerely,  
Ed. R.T.Peel.

Lt.Col.W.R.Hay, CIE.,  
H.N.Consul-General,  
Bushire.  
Ext.2003/42.

India Office,  
Whitehall, S.W.1.  
24th April, 1942.

Dear Bridgeman,

We had some correspondence in January (see your letter of January 15th) about the operations of the Kuwait Oil Company. We have now received the enclosed letter from the Political Resident in the Persian Gulf, which shows that it is doubtful whether the Company will be able to carry on, even on the present restricted basis, after next July with spare material from Abadan.

From the political aspect it is no doubt desirable, as Hay points out, that the Company should continue working for as long as possible. But we assume that, in the existing supply and shipping situation, there is nothing we can do to help them to obtain the necessary material - especially if, as appears from Hickinbotham's letter, their Directors themselves have decided not to ask for priority treatment. Would you please let me know whether this assumption is correct.

I am sending a copy of this letter and its enclosures to Byres and the F.O.

Yours sincerely,  
(sgd.) R.Peel.

The Hon.M.R.Bridgeman,  
Petroleum Department,  
7, Millbank, S.W.

Ext.2156/42.

Petroleum Department,  
7, Millbank, London, S.W.1.  
27th April, 1942.

PD98/2.  
Ext.2003/42.  
Dear Peel,

In reply to your letter of April 24th, you will have noticed / that



View on the Qatar Digital Library: [http://www.qdl.qa/en/archive/81055/vdc\\_100025670587.0x000039](http://www.qdl.qa/en/archive/81055/vdc_100025670587.0x000039)





-2-

that discussions have recently been taking place in regard to denial schemes at Bahrain and on the mainland of Saudi Arabia and that the proposals have now reached a fairly advanced stage. It seems to us that at a time when a number of wells in the Persian Gulf are to be cemented off in order to obviate any risk of their falling into enemy hands, it is illogical to continue drilling operations in an adjacent territory, particularly when these operations are not directly connected with the war effort.

We therefore feel that although the effect on public opinion locally may be unfortunate, we are not in a position to encourage further development in this area. The same considerations also apply to Qatar and we are at the moment considering whether we ought to recommend that operations in this area should also be discontinued and the existing wells immobilised. I will write to you again as soon as any conclusion is reached.

R. Peel Esq.,  
India Office,  
Whitehall, S.W.1.

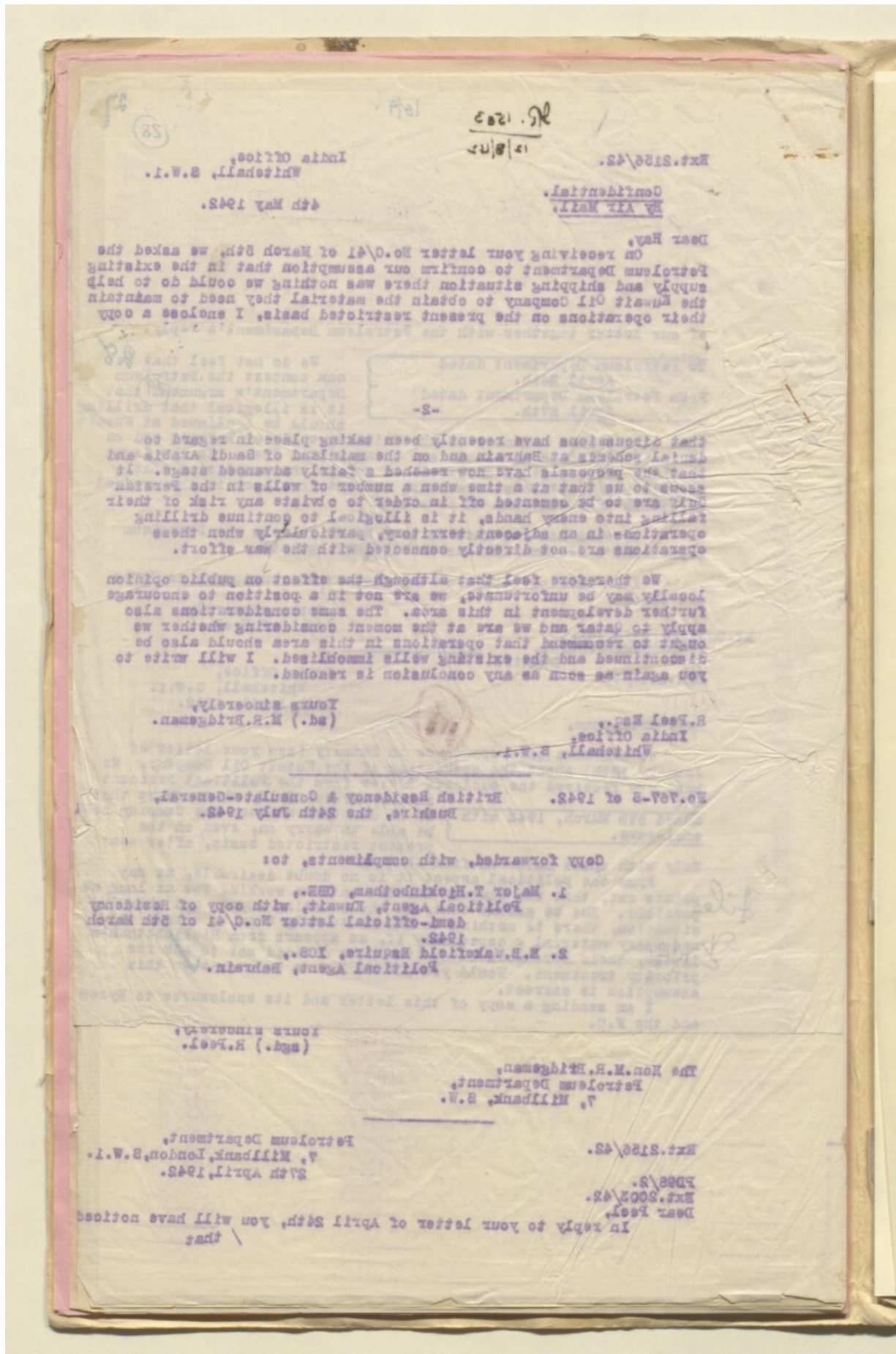
Yours sincerely,  
(sd.) M.R. Bridgeman.

No. 767-S of 1942.

British Residency & Consulate-General,  
Bushire, the 24th July 1942.

Copy forwarded, with compliments, to:

- File  
E 11/4
1. Major T. Hickinbotham, CBE.,  
Political Agent, Kuwait, with copy of Residency  
semi-official letter No. C/41 of 5th March  
1942.
  2. E. B. Wakefield Esquire, ICS.,  
Political Agent, Bahrain. ✓







~~SECRET~~

D.O.No.C/636.

Political Agency,

Bahrain, 28th April 1944.

My dear Sir Geoffrey,

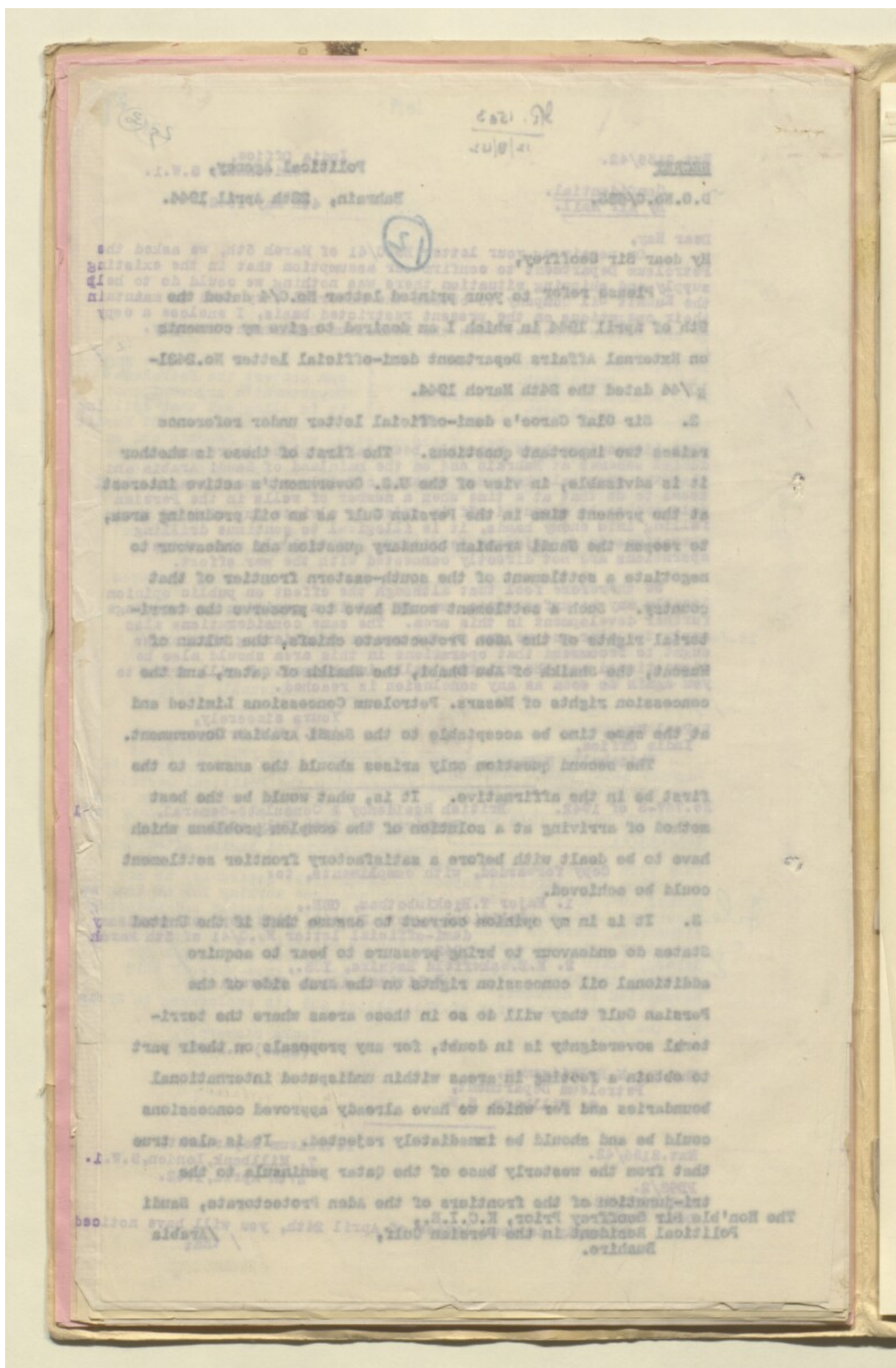
Please refer to your printed letter No.C/4 dated the 9th of April 1944 in which I am desired to give my comments on External Affairs Department demi-official letter No.3431-B/44 dated the 24th March 1944.

2. Sir Olaf Caroe's demi-official letter under reference raises two important questions. The first of these is whether it is advisable, in view of the U.S. Government's active interest at the present time in the Persian Gulf as an oil producing area, to reopen the Saudi Arabian boundary question and endeavour to negotiate a settlement of the south-eastern frontier of that country. Such a settlement would have to preserve the territorial rights of the Aden Protectorate chiefs, the Sultan of Muscat, the Shaikh of Abu Dhabi, the Shaikh of Qatar, and the concession rights of Messrs. Petroleum Concessions Limited and at the same time be acceptable to the Saudi Arabian Government.

The second question only arises should the answer to the first be in the affirmative. It is, what would be the best method of arriving at a solution of the complex problems which have to be dealt with before a satisfactory frontier settlement could be achieved.

3. It is in my opinion correct to assume that if the United States do endeavour to bring pressure to bear to acquire additional oil concession rights on the Arab side of the Persian Gulf they will do so in those areas where the territorial sovereignty is in doubt, for any proposals on their part to obtain a footing in areas within undisputed international boundaries and for which we have already approved concessions could be and should be immediately rejected. It is also true that from the westerly base of the Qatar peninsula to the

tri-junction of the frontiers of the Aden Protectorate, Saudi  
The Hon'ble Sir Geoffrey Prior, K.C.I.E.,  
Political Resident in the Persian Gulf,  
Bushire. /Arabia







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E.

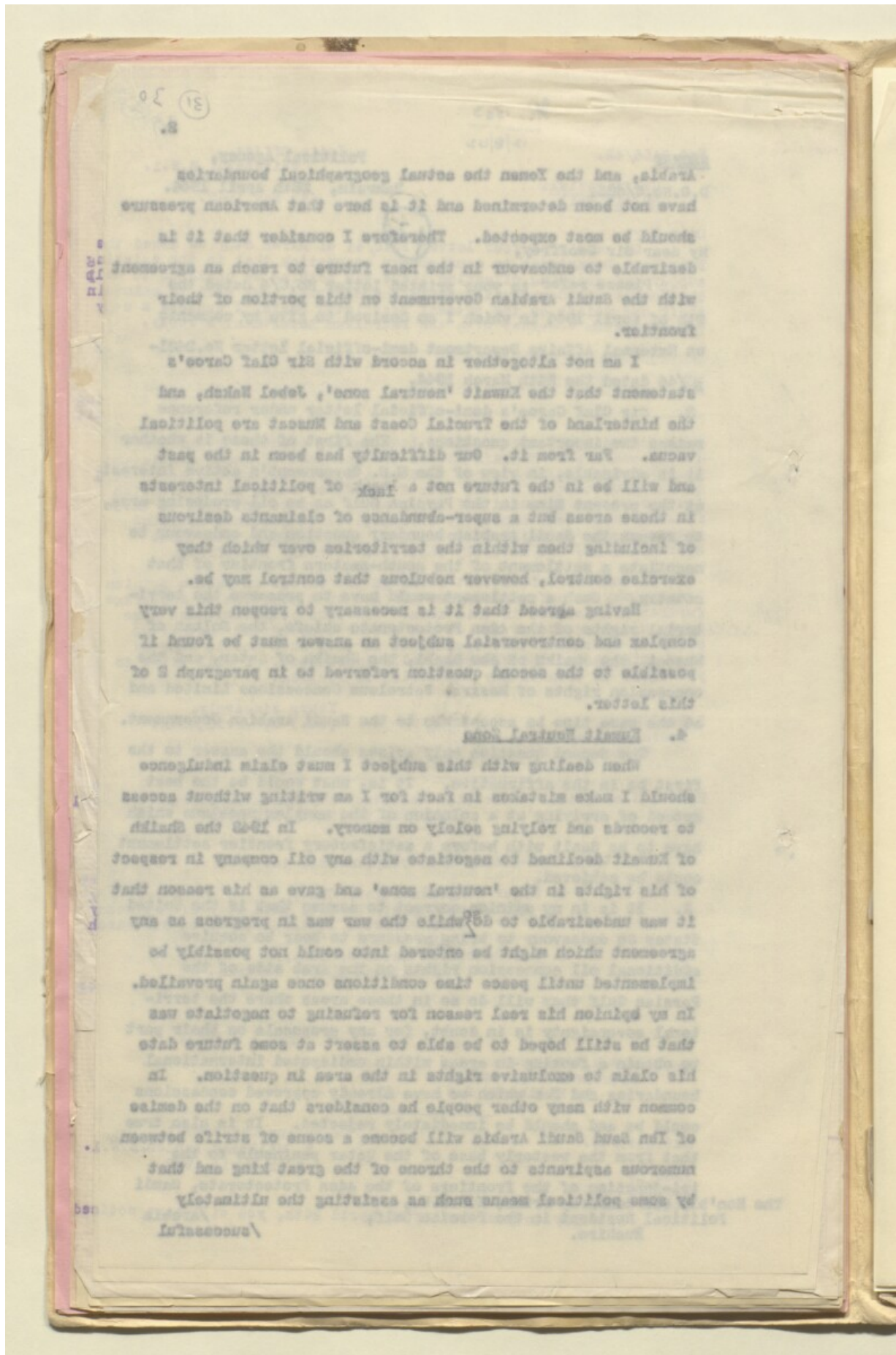
Arabia, and the Yemen the actual geographical boundaries have not been determined and it is here that American pressure should be most expected. Therefore I consider that it is desirable to endeavour in the near future to reach an agreement with the Saudi Arabian Government on this portion of their frontier.

I am not altogether in accord with Sir Olaf Caroe's statement that the Kuwait 'neutral zone', Jebel Naksh, and the hinterland of the Trucial Coast and Muscat are political vacua. Far from it. Our difficulty has been in the past and will be in the future not a lack of political interests in these areas but a super-abundance of claimants desirous of including them within the territories over which they exercise control, however nebulous that control may be.

Having agreed that it is necessary to reopen this very complex and controversial subject an answer must be found if possible to the second question referred to in paragraph 2 of this letter.

4. Kuwait Neutral Zone

When dealing with this subject I must claim indulgence should I make mistakes in fact for I am writing without access to records and relying solely on memory. In 1943 the Shaikh of Kuwait declined to negotiate with any oil company in respect of his rights in the 'neutral zone' and gave as his reason that it was undesirable to do<sup>so</sup> while the war was in progress as any agreement which might be entered into could not possibly be implemented until peace time conditions once again prevailed. In my opinion his real reason for refusing to negotiate was that he still hoped to be able to assert at some future date his claim to exclusive rights in the area in question. In common with many other people he considers that on the demise of Ibn Saud Saudi Arabia will become a scene of strife between numerous aspirants to the throne of the great king and that by some political means such as assisting the ultimately  
/successful





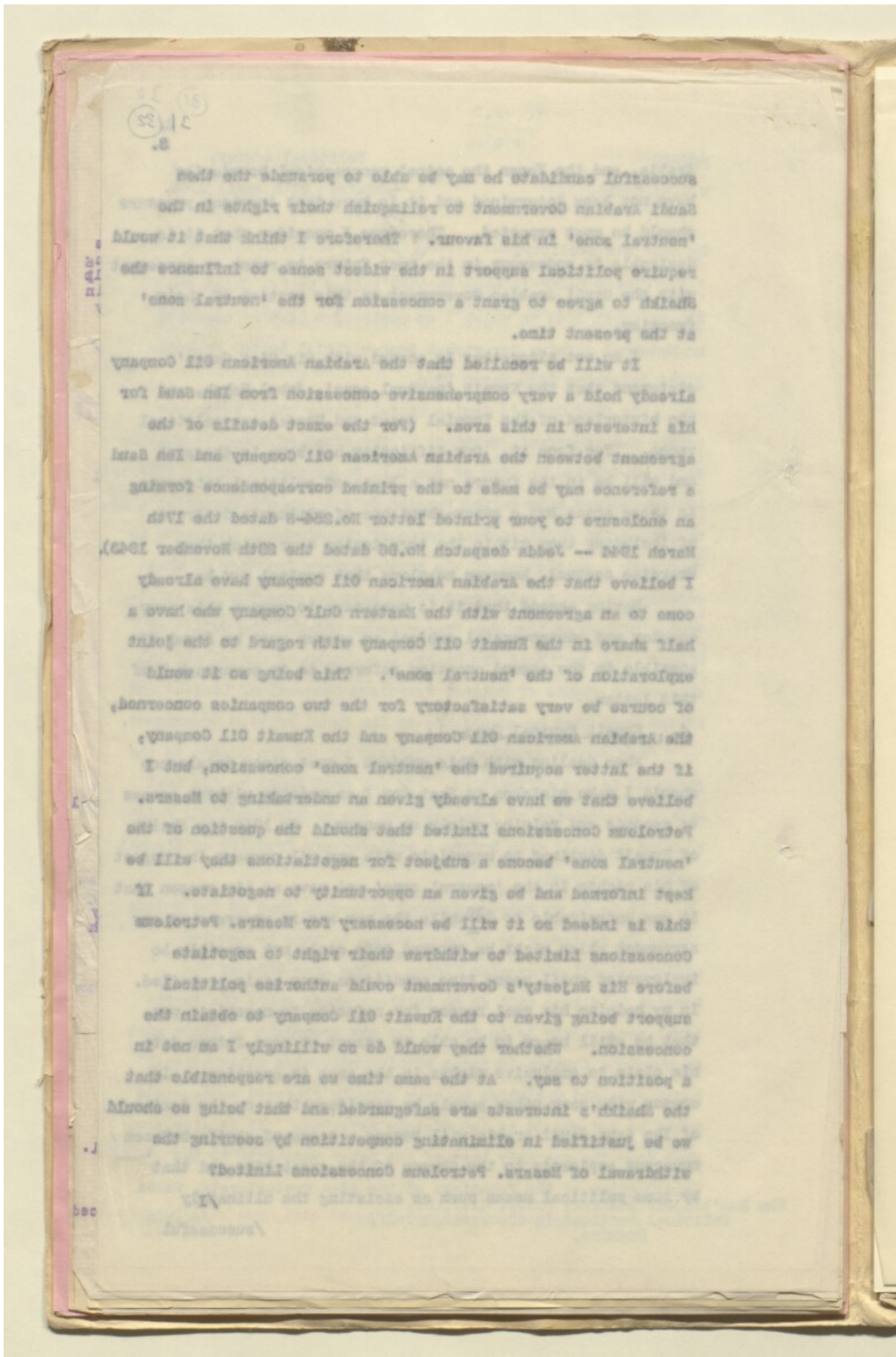


31 (32)  
3.

successful candidate he may be able to persuade the then Saudi Arabian Government to relinquish their rights in the 'neutral zone' in his favour. Therefore I think that it would require political support in the widest sense to influence the Shaikh to agree to grant a concession for the 'neutral zone' at the present time.

It will be recalled that the Arabian American Oil Company already hold a very comprehensive concession from Ibn Saud for his interests in this area. (For the exact details of the agreement between the Arabian American Oil Company and Ibn Saud a reference may be made to the printed correspondence forming an enclosure to your printed letter No.254-S dated the 17th March 1944 -- Jeddah despatch No.96 dated the 28th November 1943). I believe that the Arabian American Oil Company have already come to an agreement with the Eastern Gulf Company who have a half share in the Kuwait Oil Company with regard to the joint exploration of the 'neutral zone'. This being so it would of course be very satisfactory for the two companies concerned, the Arabian American Oil Company and the Kuwait Oil Company, if the latter acquired the 'neutral zone' concession, but I believe that we have already given an undertaking to Messrs. Petroleum Concessions Limited that should the question of the 'neutral zone' become a subject for negotiations they will be kept informed and be given an opportunity to negotiate. If this is indeed so it will be necessary for Messrs. Petroleum Concessions Limited to withdraw their right to negotiate before His Majesty's Government could authorise political support being given to the Kuwait Oil Company to obtain the concession. Whether they would do so willingly I am not in a position to say. At the same time we are responsible that the Shaikh's interests are safeguarded and that being so should we be justified in eliminating competition by securing the withdrawal of Messrs. Petroleum Concessions Limited?

/I







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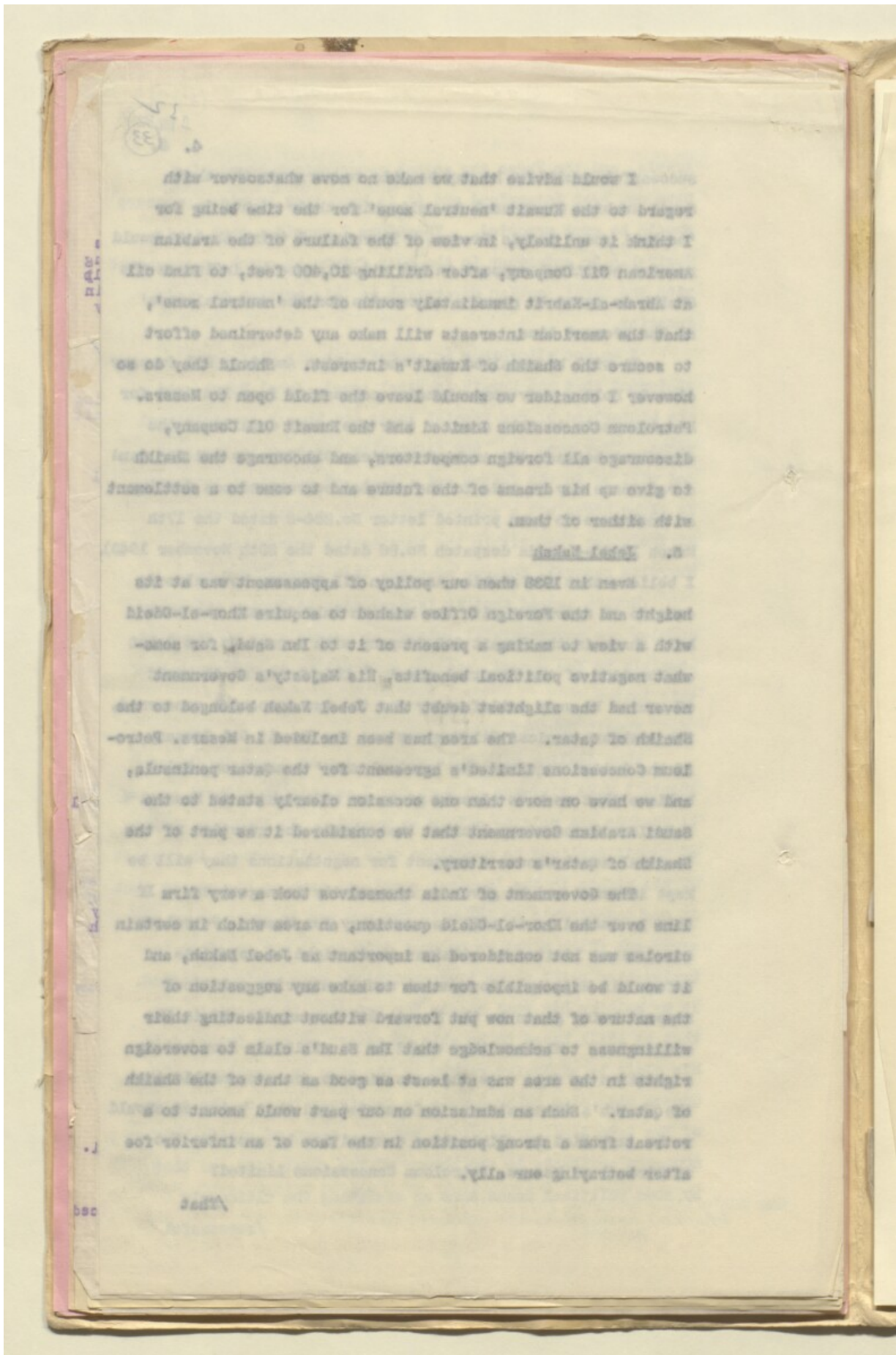
I would advise that we make no move whatsoever with regard to the Kuwait 'neutral zone' for the time being for I think it unlikely, in view of the failure of the Arabian American Oil Company, after drilling 10,400 feet, to find oil at Abrak-al-Kabrit immediately south of the 'neutral zone', that the American interests will make any determined effort to secure the Shaikh of Kuwait's interest. Should they do so however I consider we should leave the field open to Messrs. Petroleum Concessions Limited and the Kuwait Oil Company, discourage all foreign competitors, and encourage the Shaikh to give up his dreams of the future and to come to a settlement with either of them.

5. Jebel Naksh

Even in 1938 when our policy of appeasement was at its height and the Foreign Office wished to acquire Khor-el-Odeid with a view to making a present of it to Ibn Saud, for somewhat negative political benefits, His Majesty's Government never had the slightest doubt that Jebel Naksh belonged to the Shaikh of Qatar. The area has been included in Messrs. Petroleum Concessions Limited's agreement for the Qatar peninsula, and we have on more than one occasion clearly stated to the Saudi Arabian Government that we considered it as part of the Shaikh of Qatar's territory.

The Government of India themselves took a very firm line over the Khor-el-Odeid question, an area which in certain circles was not considered as important as Jebel Naksh, and it would be impossible for them to make any suggestion of the nature of that now put forward without indicating their willingness to acknowledge that Ibn Saud's claim to sovereign rights in the area was at least as good as that of the Shaikh of Qatar. Such an admission on our part would amount to a retreat from a strong position in the face of an inferior foe after betraying our ally.

/That







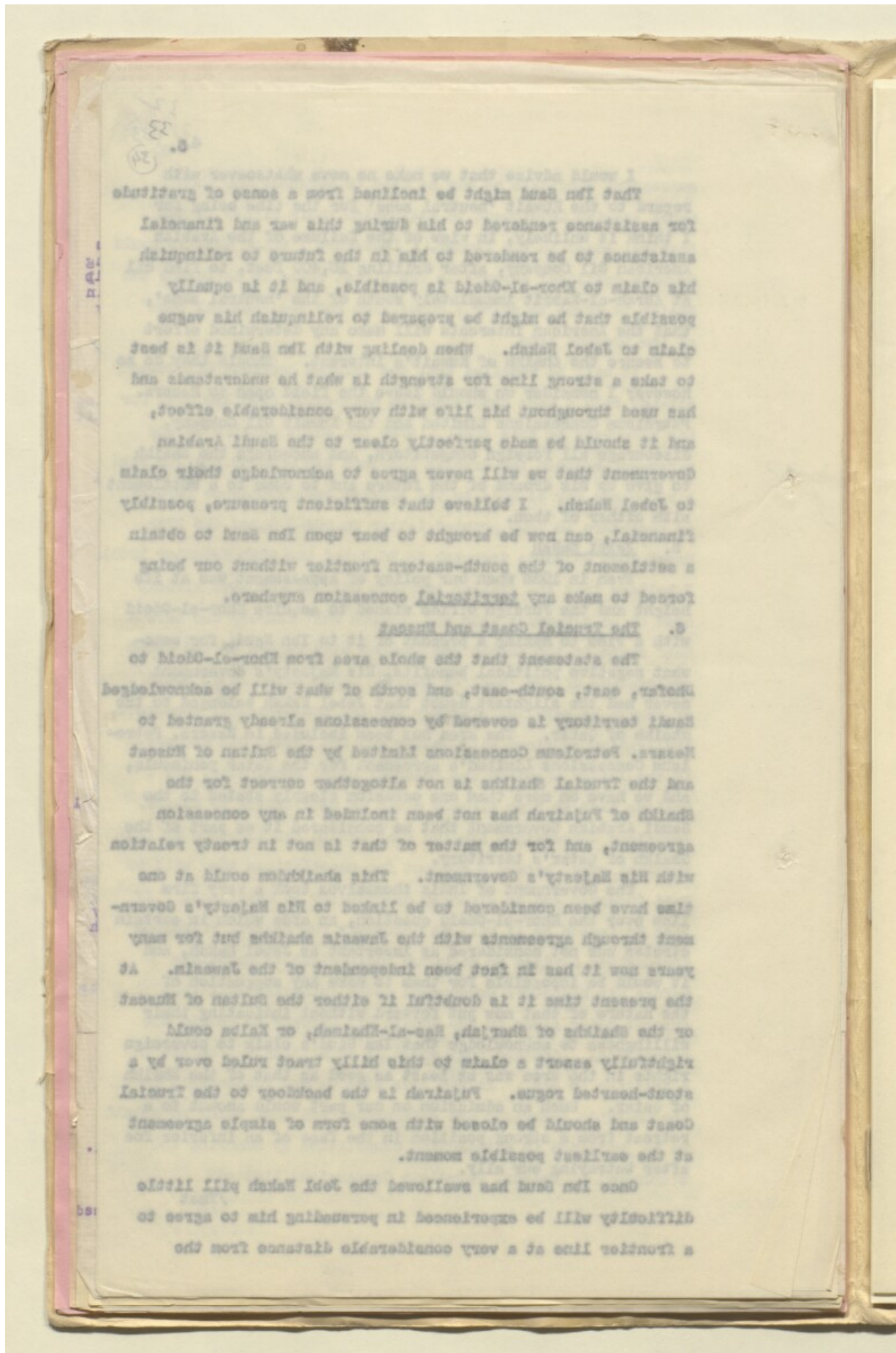
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S. (34)

That Ibn Saud might be inclined from a sense of gratitude for assistance rendered to him during this war and financial assistance to be rendered to him in the future to relinquish his claim to Khor-el-Odeid is possible, and it is equally possible that he might be prepared to relinquish his vague claim to Jebel Naksh. When dealing with Ibn Saud it is best to take a strong line for strength is what he understands and has used throughout his life with very considerable effect, and it should be made perfectly clear to the Saudi Arabian Government that we will never agree to acknowledge their claim to Jebel Naksh. I believe that sufficient pressure, possibly financial, can now be brought to bear upon Ibn Saud to obtain a settlement of the south-eastern frontier without our being forced to make any territorial concession anywhere.

6. The Trucial Coast and Muscat

The statement that the whole area from Khor-el-Odeid to Dhofar, east, south-east, and south of what will be acknowledged Saudi territory is covered by concessions already granted to Messrs. Petroleum Concessions Limited by the Sultan of Muscat and the Trucial Shaikhs is not altogether correct for the Shaikh of Fujairah has not been included in any concession agreement, and for the matter of that is not in treaty relation with His Majesty's Government. This shaikhdom could at one time have been considered to be linked to His Majesty's Government through agreements with the Jawasin shaikhs but for many years now it has in fact been independent of the Jawasin. At the present time it is doubtful if either the Sultan of Muscat or the Shaikhs of Sharjah, Ras-al-Khaimah, or Kalba could rightfully assert a claim to this hilly tract ruled over by a stout-hearted rogue. Fujairah is the backdoor to the Trucial Coast and should be closed with some form of simple agreement at the earliest possible moment.

Once Ibn Saud has swallowed the Jebel Naksh pill little difficulty will be experienced in persuading him to agree to a frontier line at a very considerable distance from the







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6. 35

Buraimi oasis and any danger to Abu Dhabi will be avoided. I doubt whether Ibn Saud has exhibited interest in Buraimi for many years, if ever, it is rather that the inhabitants of the oasis have from time to time used the power of his name to extract concessions from their overlords and have paid personal court to him in the hope of pecuniary reward.

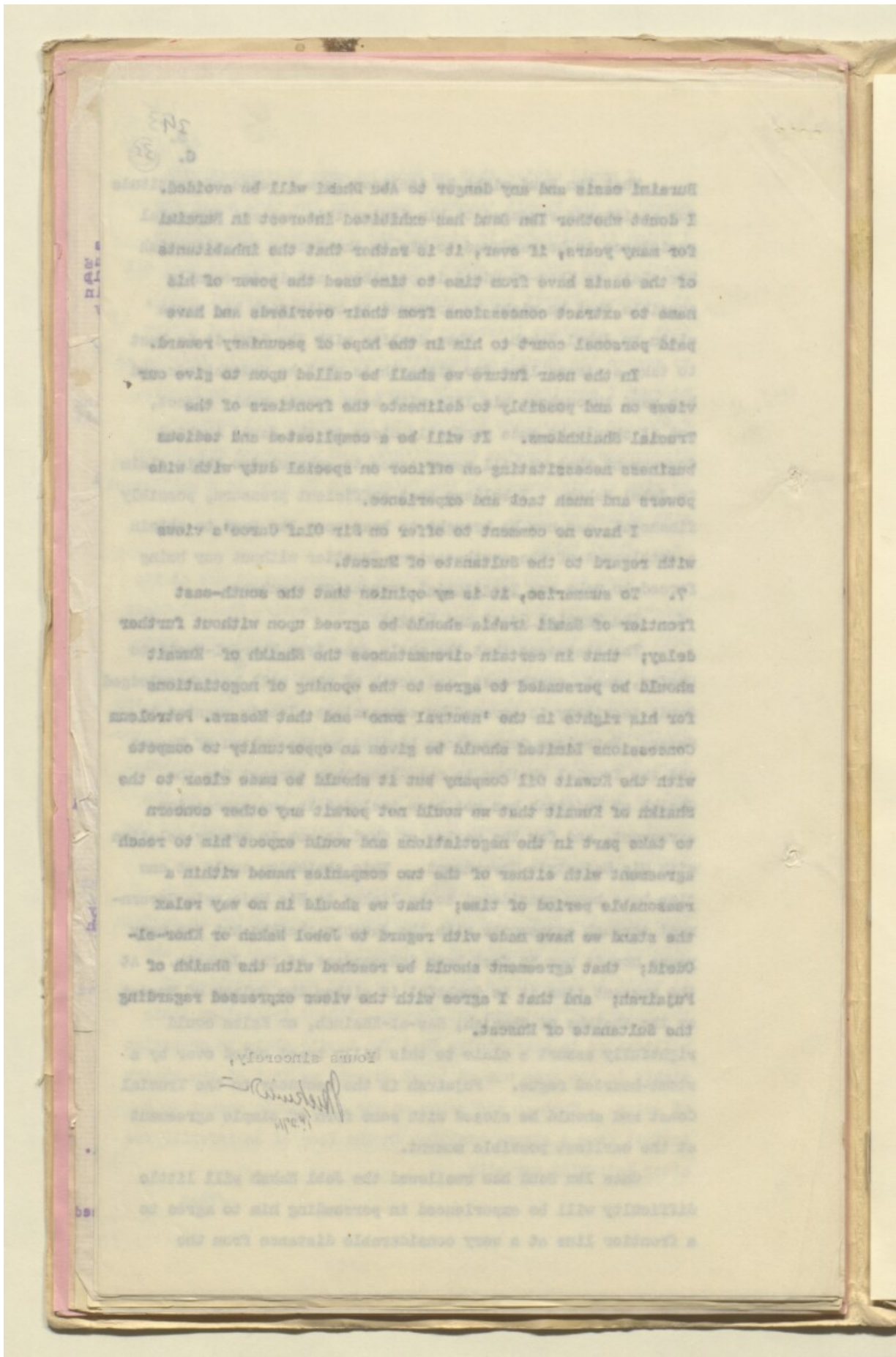
In the near future we shall be called upon to give our views on and possibly to delineate the frontiers of the Trucial Shaikhdoms. It will be a complicated and tedious business necessitating an officer on special duty with wide powers and much tact and experience.

I have no comment to offer on Sir Olaf Caroe's views with regard to the Sultanate of Muscat.

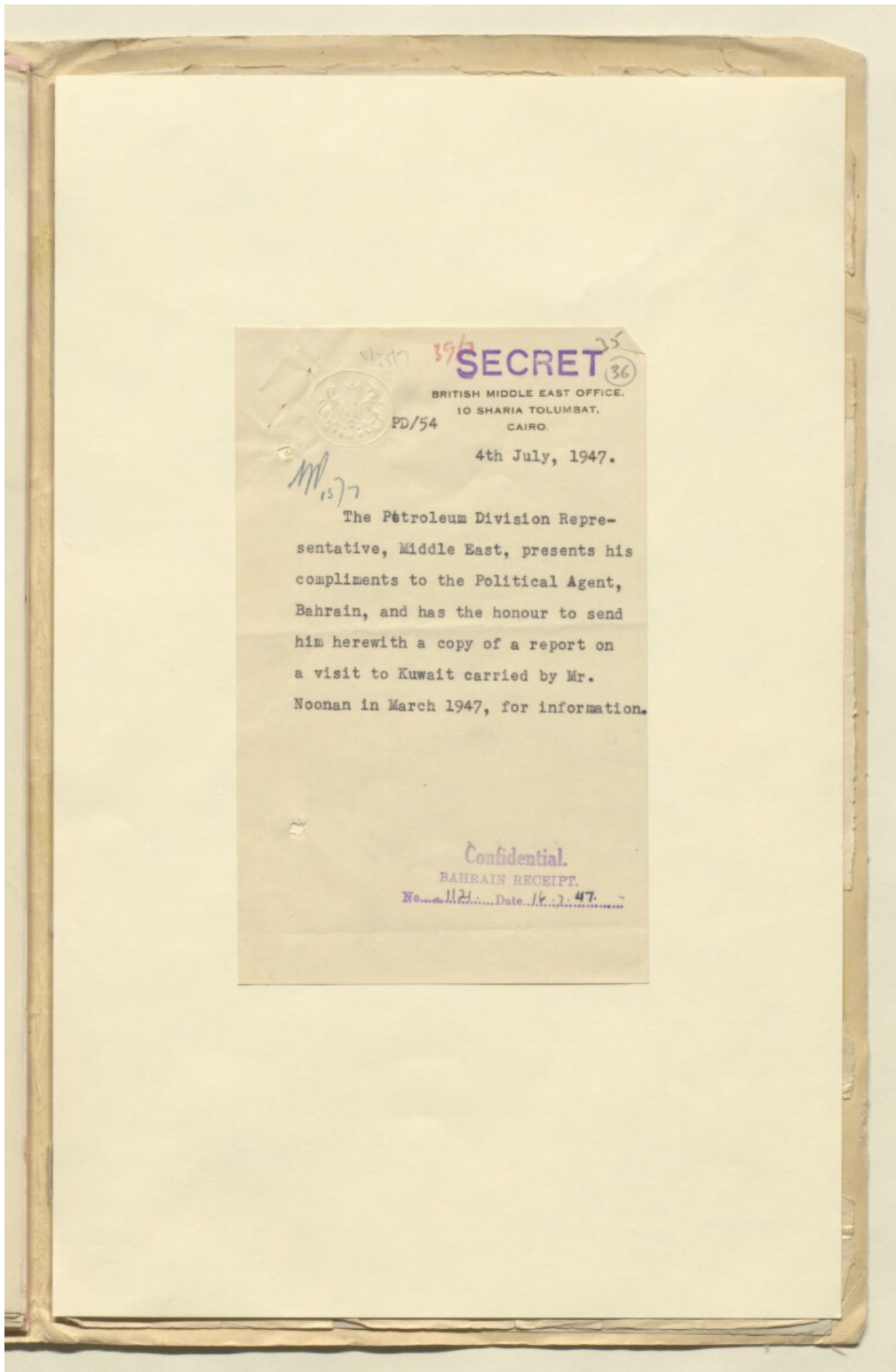
7. To summarise, it is my opinion that the south-east frontier of Saudi Arabia should be agreed upon without further delay; that in certain circumstances the Shaikh of Kuwait should be persuaded to agree to the opening of negotiations for his rights in the 'neutral zone' and that Messrs. Petroleum Concessions Limited should be given an opportunity to compete with the Kuwait Oil Company but it should be made clear to the Shaikh of Kuwait that we would not permit any other concern to take part in the negotiations and would expect him to reach agreement with either of the two companies named within a reasonable period of time; that we should in no way relax the stand we have made with regard to Jebel Naksh or Khor-el-Odeid; that agreement should be reached with the Shaikh of Fujairah; and that I agree with the views expressed regarding the Sultanate of Muscat.

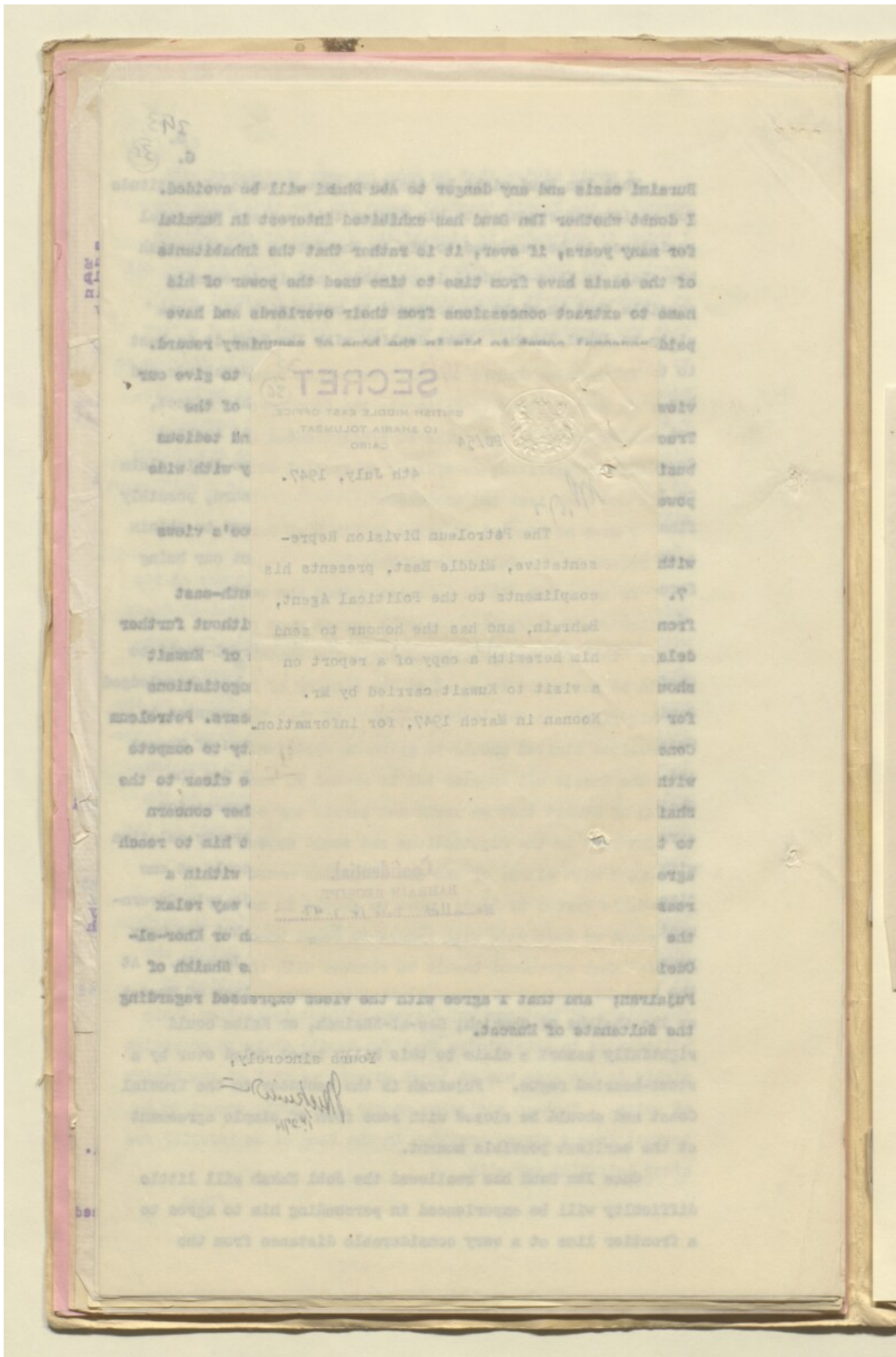
Yours sincerely,

*McKinnon*  
14/2/74

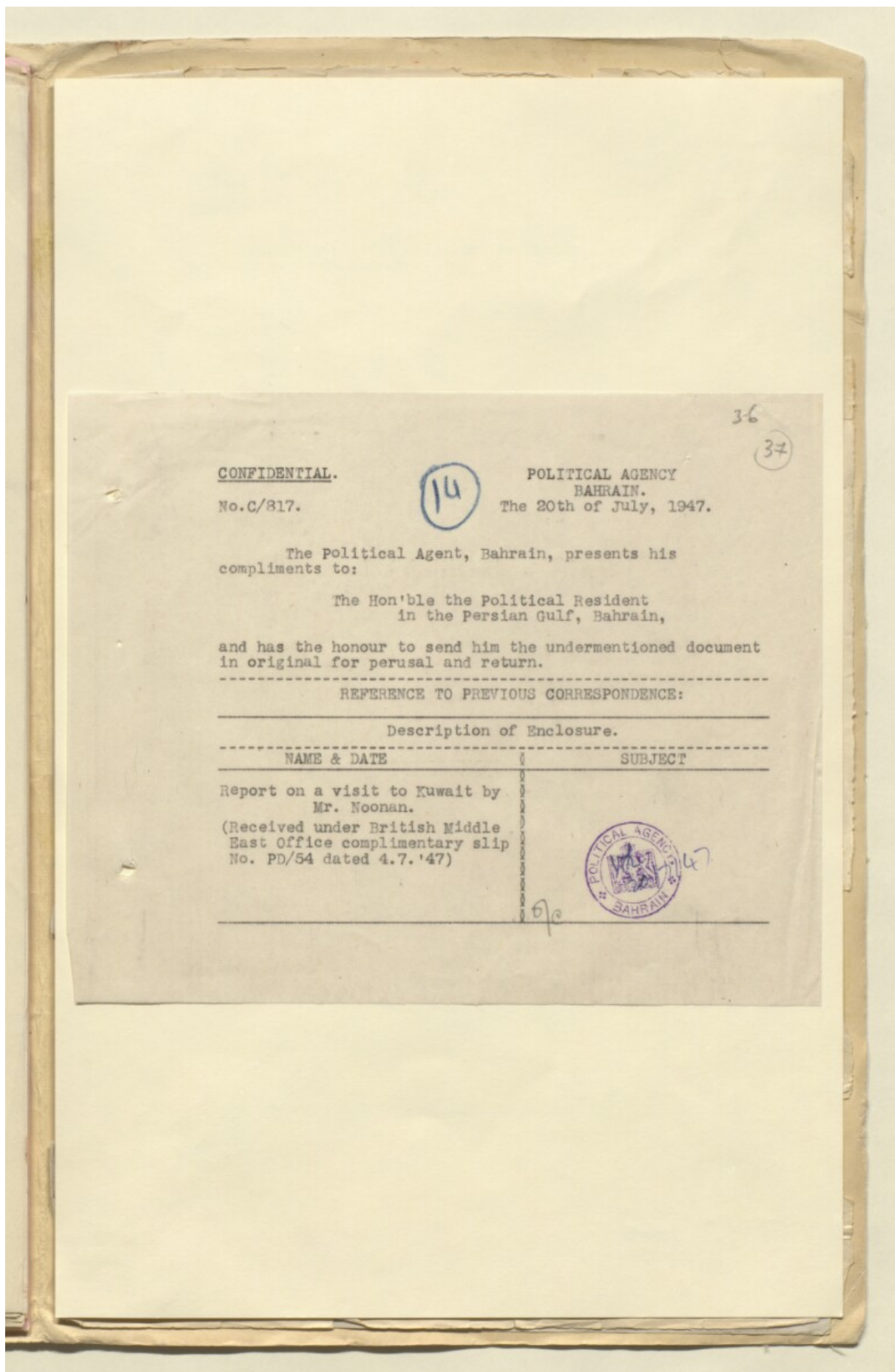


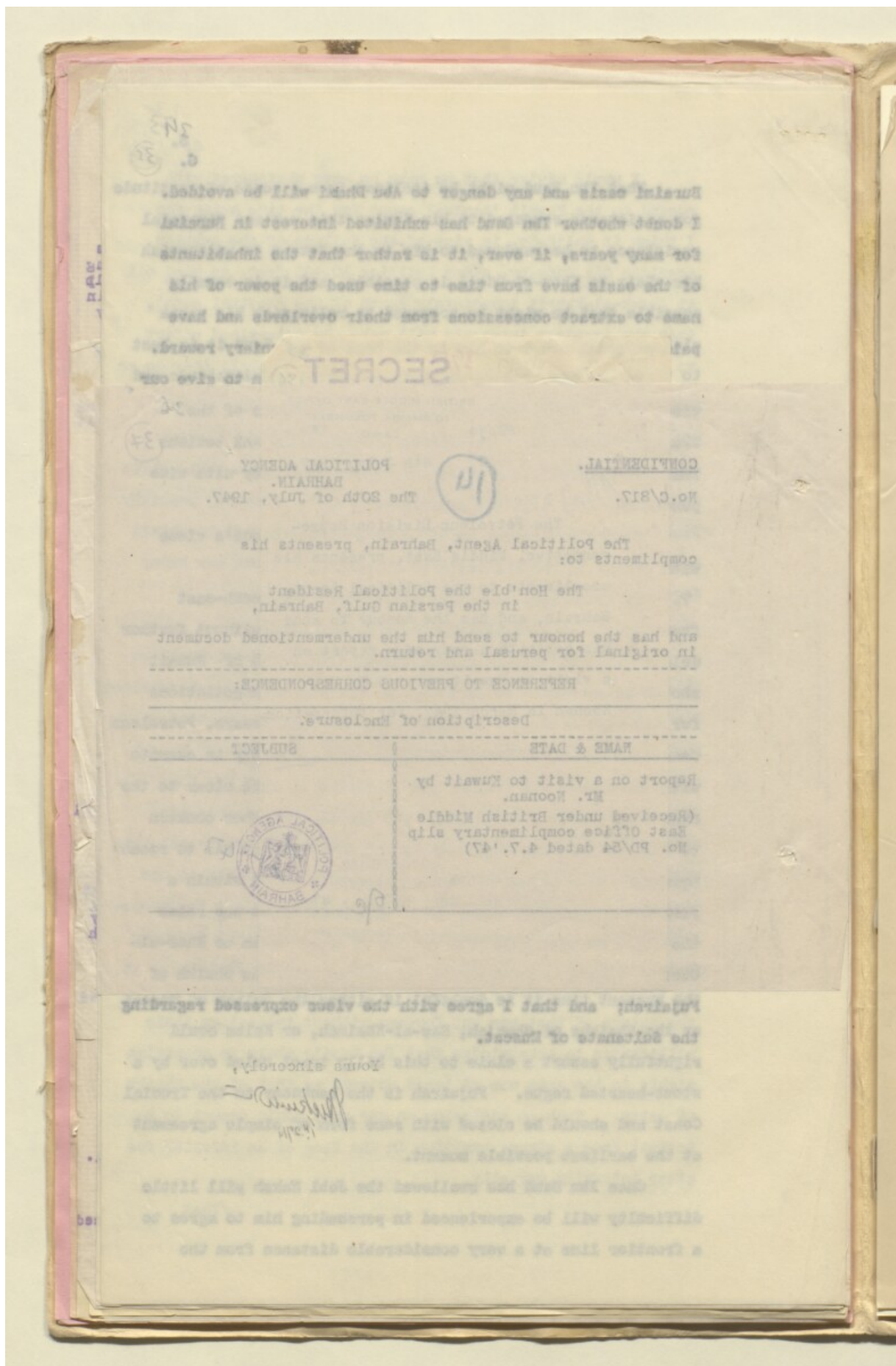
















(38)

CONFIDENTIAL.

No. 1774 -S.

The Hon'ble the Political Resident, Persian Gulf,  
presents his compliments to

The Political Agent,  
Bahrain,

return  
and has the honour to transmit to him a copy of the  
undermentioned document(s).

PERSIAN GULF RESIDENCY,  
BAHRAIN, the 11th October 1947.

Reference to previous correspondence:  
Bahrain Agency Printed Letter No.C/817 dated the 20th July 1947

Description of enclosure.

Number and Date	Subject
<u>NOTES ON A VISIT TO KUWAIT</u> <u>IN MARCH 1947</u> <u>BY MR. E.W. NOONAN.</u> <u>-S-S-S-S-S-</u>	

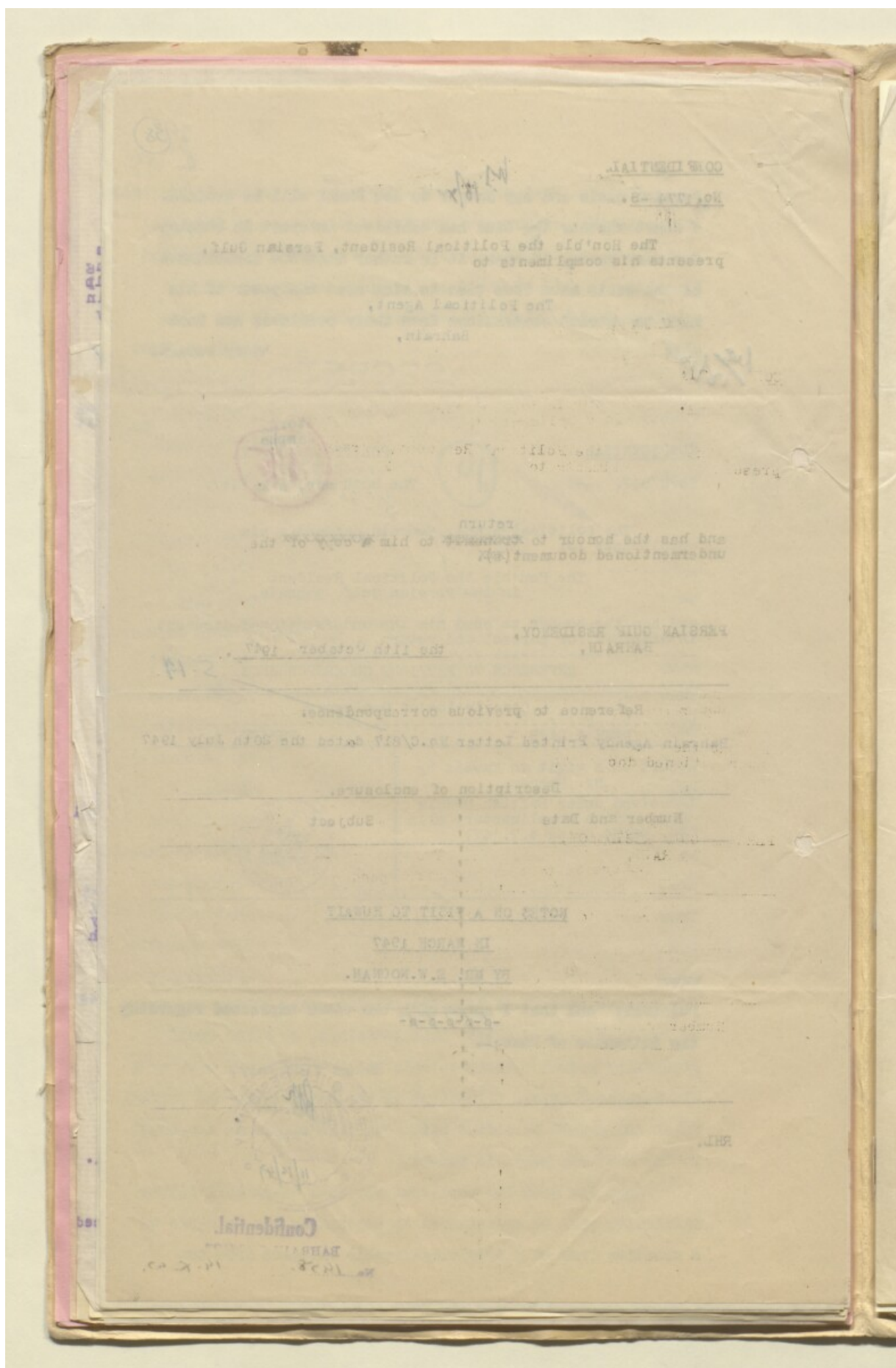
RHL.

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PERSIAN GULF RESIDENCY  
11/10/47

**Confidential.**  
BAHRAIN  
No. 1458. 14. K. 47.







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39

NOTES ON A VISIT TO KUWAIT  
IN MARCH 1942.

In the course of my visit to Persia, I managed to slip in a quick trip to Kuwait. On Monday, March 17th, I left Abadan by A.I.O.C. plane at 8 a.m. and returned five hours later. This gave me barely four hours on the spot but, such is the compactness of the Kuwait Field, that even so short a time suffices to give one a fair grasp of the layout and operations.

2. I was met by Donald Campbell, seconded from Abadan as Administrative Assistant to the Field-Superintendent. The latter is Patrick, of Gulf Oil; when I arrived he was just off to an audience with the "Ruler", but he found time to give me a broad picture of the production storage and loading set-up, which was usefully rounded out by Campbell in due course.
3. I also met de Hamel, Personnel Manager, a keen young Britisher with a most engaging personality, and every appearance of being the right man for the job.
4. Campbell then took me by car to Achmedi (about 20 miles south of the City of Kuwait) which is in the beginnings of its development as the industrial centre of the field and the residential area. There are no roads - in the strict sense of the word - but the desert surface is hard and viable for even heavy vehicles. Campbell is an evident - and indeed self-avowed - lover of Kuwait, the sort of man whose influence and sympathy could hardly be better engaged; he beguiled the journey with a well-informed discourse on the place and its inhabitants, and proved altogether an admirable guide.

BACKGROUND.

5. The population of the Sheikdom is some 90,000 souls: apart from the pastoral Bedouin, they are essentially a ship-building, seafaring folk whose main activities have been hitherto the carrying trade to the Malabar Coast and India, and the pearl-fisheries of the Persian Gulf. Both these trades are run cooperatively, the crews being tied to the owners by debt and sharing the profits if any. Pearl-fishing has been hard hit by the "cultural" industry. They strike the stranger as a contented, unspoilt, self-reliant people, and one can but hope that the development of a vast oilfield at their very door will enrich their lives without debauching them. Insh'allah.

OIL.

6. From Achmedi - though only a few hundred feet above sea-level - one commands a comprehensive view of the "Burghan Hills" field about ten miles away to the westward, and the loading terminal on the foreshore some five miles in the other direction. Burghan "Hills" is a misnomer for they are just a group of low contours - wells themselves being lower than Achmedi and the oil having to be boosted up to the storage there.

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View on the Qatar Digital Library: [http://www.qdl.qa/en/archive/81055/vdc\\_100025670587.0x00004f](http://www.qdl.qa/en/archive/81055/vdc_100025670587.0x00004f)





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7. At the time of my visit, there were some eight producing wells; but 72 more in project.
8. Production was currently 46,000 barrels a day; and 150,000 barrels the target for July 1948. In other words, they aim to step up the annual production rate from 2,000,000 tons to 7,000,000 tons in the short space of fifteen months. IF they can only get the materials.
9. Main crude storage is at Achmedi - about 80,000 tons, i.e. equivalent to about 14 days' current production. Oil from this storage flows down a 22" gravity line to the loading terminal. There are two loading berths (submarine pipeline to buoys), one for the flood and one for the ebb. Loading rate is nominally 1,100 tons per hour. Berthing difficulties due to weather are frequently encountered and, all in all, it is evident that their tanker loading arrangements will call for considerable development to cope with the vastly greater production they have in view.

10.

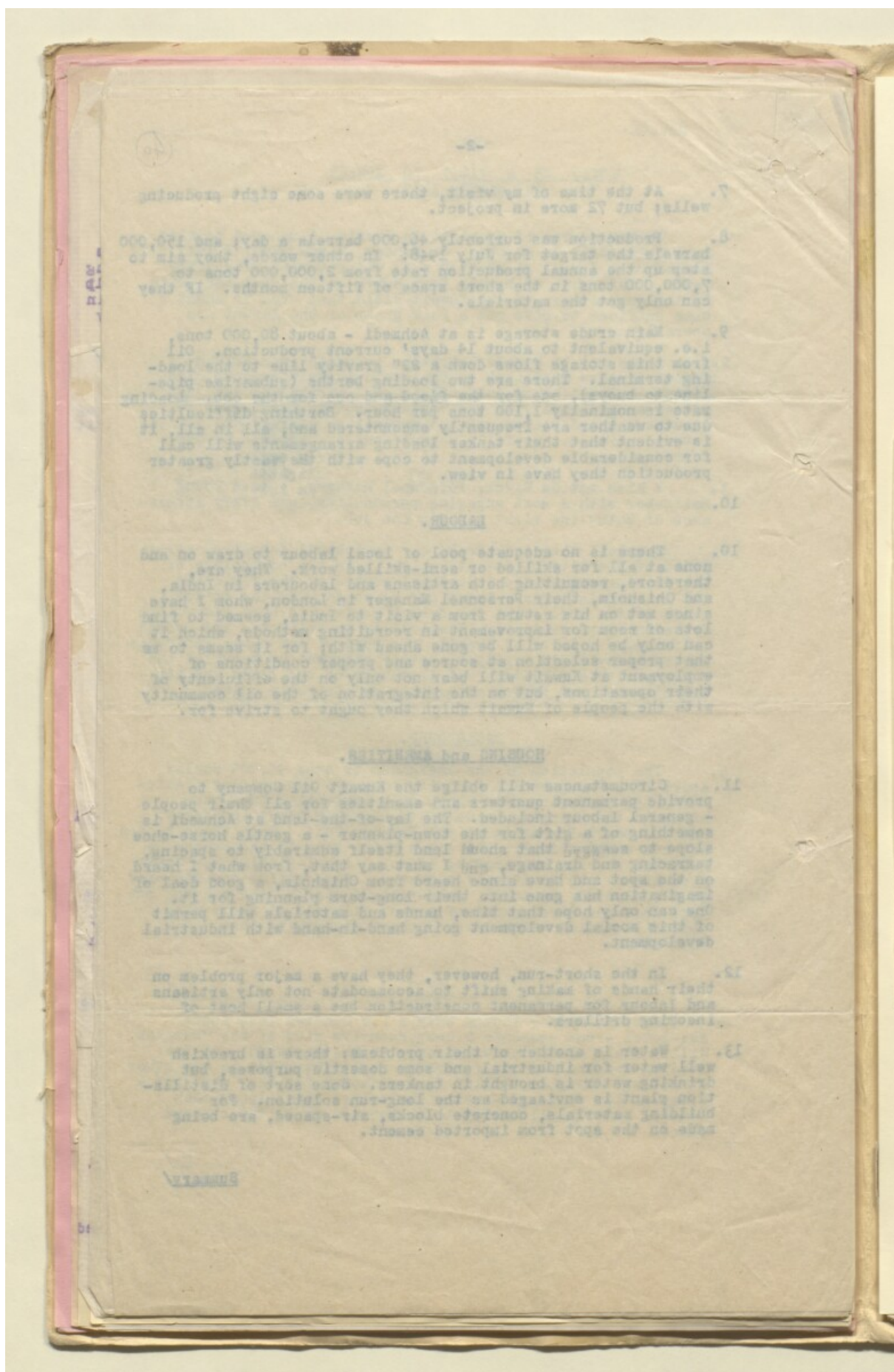
#### LABOUR.

10. There is no adequate pool of local labour to draw on and none at all for skilled or semi-skilled work. They are, therefore, recruiting both artisans and labourers in India, and Chisholm, their Personnel Manager in London, whom I have since met on his return from a visit to India, seemed to find lots of room for improvement in recruiting methods, which it can only be hoped will be gone ahead with; for it seems to me that proper selection at source and proper conditions of employment at Kuwait will bear not only on the efficiency of their operations, but on the integration of the oil community with the people of Kuwait which they ought to strive for.

#### HOUSING and AMENITIES.

11. Circumstances will oblige the Kuwait Oil Company to provide permanent quarters and amenities for all their people - general labour included. The lay-of-the-land at Achmedi is something of a gift for the town-planner - a gentle horse-shoe slope to seaward that should lend itself admirably to spacing, terracing and drainage, and I must say that, from what I heard on the spot and have since heard from Chisholm, a good deal of imagination has gone into their long-term planning for it. One can only hope that time, hands and materials will permit of this social development going hand-in-hand with industrial development.
12. In the short-run, however, they have a major problem on their hands of making shift to accommodate not only artisans and labour for permanent construction but a small host of incoming drillers.
13. Water is another of their problems: there is brackish well water for industrial and some domestic purposes, but drinking water is brought in tankers. Some sort of distillation plant is envisaged as the long-run solution. For building materials, concrete blocks, air-spaced, are being made on the spot from imported cement.

Summary/







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SUMMARY.

14. The Kuwait field seems to have got away to a flying start and, judging by their confidence in their ability to treble production in short order, the 15,000,000 tons per year figured for 1950 looks well within range. The deciding factor will be the procurement of oilfield material, the slowness of which may well check their progress over the next two years.
15. Proximity to seaboard is a great natural advantage; but open beach loading has decided disadvantages here and whether the provision of adequate tanker-loading facilities can be kept in step with increasing production is another matter. The projected trunk pipeline will obviously make all the difference to the optimum exploitation of the Kuwait field.
16. They have what looks to me like a unique opportunity to build up a model field community; and by enlightened cooperation with the local authorities to make it an integral and beneficent factor in the life of the Sheikdom.

CAIRO.  
16th May, 1947.

E.W. NOONAN.

